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PROCEEDINGS
OF THE
NATIONAL CONVENTION
OF
INSURANCE COMMISSIONERS
Forty-Third Session
1912

Author and Title

National Convention of Insurance
Commissioners.
Proceedings.

Call Number	HG 8016 N25 1912	Vol.	Copy
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National Convention of Insurance
Commissioners.
Proceedings.

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PROCEEDINGS
OF THE
NATIONAL CONVENTION
OF
INSURANCE COMMISSIONERS
OF THE
UNITED STATES
HELD AT
SPOKANE, WASHINGTON
JULY 23, 24, 25 and 26, 1912



THE R. L. BRYAN COMPANY
COLUMBIA, S. C.
1912

No. 12274
Rec'd Feb. 20, 1915.

MAR 20 1971

CONSTITUTION.

Adopted 1894.

Article 1. This Association shall be known as the National Convention of Insurance Commissioners.

Art. 2. Its membership shall consist of the Commissioner, Superintendent, or other official who by law is given charge of insurance matters in each State and Territory: **Provided, however,** That such official may delegate as his representative any person officially connected with his department, who is wholly or principally employed by said department, and who is a legal resident of the State wherein the department is located. [As amended by Thirty-second Convention in 1901.]

Art. 3. No person having any connection with an insurance company, except as a policyholder, shall be a member of this Association. [As amended by Thirty-second Convention in 1901.]

Art. 4. The officers of the Convention shall be a President, two Vice Presidents, and Secretary, and an Executive Committee, consisting of seven members and the above named officers, all of whom shall be elected by ballot at the annual meeting. But no person shall be eligible for the office of President whose term of office shall definitely expire before the assembling of the Annual Convention subsequent to his election. [As amended by Thirty-third Convention in 1902, Forty-first Convention in 1910, and Forty-third Convention in 1912.]

Art. 5. The duties of the several officers shall be such as usually devolve upon those holding like positions. The Executive Committee shall make arrangements for the annual meeting, and in case of a vacancy in any of the offices, fill the same until the next annual meeting.

Art. 6. The annual meeting shall be held at such time and place as may be designated by the Executive Committee. [As amended Chicago, April, 1912.]

Art. 7. As soon as convenient after the annual session, the President shall appoint the members of such committees, as may have been authorized by vote of the Convention, and the Secretary shall immediately notify each member of his appointment. The Standing Committee on Blanks so appointed shall hold its regular annual and other meetings at such times as to enable the committee to submit its annual report for the consideration of the Executive Committee at its meeting next preceding the Convention. Any action on the part of the Executive Committee relative to the report of the Com-

mittee on Blanks shall be binding upon the Convention. After such action it shall be the duty of the Committee on Blanks to prepare blanks in accord with the report as accepted by the Executive Committee and have them sent to all members of the Convention. [As amended by the Forty-second Convention, 1911.]

Art. 8. The Convention shall be governed by the ordinary rules of parliamentary practice. One or more of the sessions of each Convention shall be executive, and shall be so announced in the program. [As amended by the Forty-first Convention, 1910.]

Art. 9. Commissioners or Superintendents, or other officials in charge of insurance matters, who have been members of the Convention, may, upon retiring from office, be chosen honorary members, without the right to vote, by a two-thirds vote at any session. Any supervising insurance official may, at any session, be elected an honorary member, by a similar vote, and all retiring Presidents of the Convention shall be honorary members thereof. [As amended by the Convention of 1895.]

Art. 10. Communications to the Convention, verbal or written, shall be heard by or referred to the appropriate committee, which shall thereafter report to the Convention.

Art. 11. This Constitution may be amended, and any article therein may be suspended at any time by a unanimous vote at any regular meeting or by a two-thirds vote of the members present and voting, notice thereof having been given at a previous session.

Art. 12. All previous Constitutions are hereby repealed.

OFFICERS, 1911-12.

President,

FRED W. POTTER,

Insurance Superintendent, Illinois.

Vice President,

FRANK H. HARDISON,

Commissioner of Insurance, Massachusetts.

Secretary,

F. H. McMASTER,

Commissioner of Insurance, South Carolina.

Executive Committee.

C. A. PALMER, Chairman.....	Michigan
JAMES R. YOUNG.....	North Carolina
JOSEPH BUTTON.....	Virginia
WILLARD DONE.....	Utah
H. L. EKERN.....	Wisconsin
SILAS R. BARTON.....	Nebraska
W. T. EMMET.....	New York

COMMITTEES, 1911-12.

Credentials.

CHARLES C. GRAY, Chairman.....	Rhode Island
CHARLES H. MAULL.....	Delaware
VIVIAN M. LEWIS.....	New Jersey
J. EGGERS.....	Nevada
W. H. O'BRIEN.....	Indiana
JOHN R. JOBE.....	Arkansas
J. W. FERGUSON.....	Oregon

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WILLIAM T. EMMET.....	New York
BARTON MANSFIELD.....	Connecticut
W. C. TAYLOR.....	North Dakota
CHARLES JOHNSON.....	Pennsylvania
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WILLARD DONE.....	Utah
JOSEPH BUTTON.....	Virginia
WILLIAM T. EMMET.....	New York
FITZ HUGH McMASTER.....	South Carolina
FRANK BLAKE.....	Missouri
J. A. O. PREUS.....	Minnesota

Reserves Other Than Life.

JOHN S. DARST, Chairman.....	West Virginia
FRANK H. HARDISON.....	Massachusetts
O. S. BASFORD.....	South Dakota
FRANK BLAKE.....	Missouri

COMMITTEES.

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JOHN L. BLEAKLY.....	Iowa
ROBERT J. MERRILL.....	New Hampshire
CHARLES JOHNSON.....	Pennsylvania
I. C. HATTABAUGH.....	Idaho
ANDREW P. HAVEY.....	Maine

Fraternal Insurance.

T. M. HENRY, Chairman.....	Mississippi
JOHN L. BLEAKLY.....	Iowa
FRANK H. HARDISON.....	Massachusetts
JAMES R. YOUNG.....	North Carolina
J. H. SCHIVELY.....	Washington
WILLIAM T. EMMET.....	New York
P. A. BALLARD.....	Oklahoma
G. A. TAYLOR.....	Tennessee
W. C. TAYLOR.....	North Dakota

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BARTON MANSFIELD.....	Connecticut
E. C. COOPER.....	California
R. L. FORSYTHE.....	Wyoming
JOHN L. BLEAKLY.....	Iowa
ALVIN E. HEBERT.....	Louisiana

Fidelity and Surety Companies.

H. L. EKERN, Chairman.....	Wisconsin
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SILAS R. BARTON.....	Nebraska
JOHN R. JOBE.....	Arkansas
JOHN S. DARST.....	West Virginia
CYRUS B. BROWN.....	Alabama
WILLIAM M. SHEHAN.....	Maryland
W. H. O'BRIEN.....	Indiana
B. L. GILL.....	Texas

Rates of Mortality and Interest.

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BARTON MANSFIELD.....	Connecticut
WILLIAM A. WRIGHT.....	Georgia
CYRUS B. BROWN.....	Alabama
WILLARD DONE.....	Utah
GEORGE W. INGHAM.....	District of Columbia
H. L. EKERN.....	Wisconsin

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CHARLES M. McCOY.....	Montana
GEORGE U. YOUNG.....	Arizona
JOHN C. LUNNING.....	Florida
J. H. SCHIVELY.....	Washington
T. M. HENRY.....	Mississippi
M. C. CLAY.....	Kentucky
E. H. DEAVITT.....	Vermont
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Unauthorized Insurance.

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JACOBO CHAVEZ.....	New Mexico
E. C. COOPER.....	California
T. M. HENRY.....	Mississippi
FRANK BLAKE.....	Missouri
CHARLES H. MAULL.....	Delaware
O. S. BASFORD.....	South Dakota
P. A. BALLARD.....	Oklahoma

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WILLIAM T. EMMET.....	New York

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ANDREW P. HAVEY.....	Maine
M. C. CLAY.....	Kentucky
IKE LEWIS.....	Kansas
JOHN S. DARST.....	West Virginia
WM. H. O'BRIEN.....	Indiana
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Valuation of Securities.

WILLIAM TEMPLE EMMET, Chairman.....	New York
FRANK H. HARDISON.....	Massachusetts
CHARLES C. GRAY.....	Rhode Island
JOHN R. JOBE.....	Arkansas
CHARLES JOHNSON.....	Pennsylvania

Codification of Rulings.

FITZ HUGH McMASTER, Chairman.....	South Carolina
WILLIAM T. EMMET.....	New York
FRANK H. HARDISON.....	Massachusetts
SILAS R. BARTON.....	Nebraska
J. S. DARST.....	West Virginia
M. C. CLAY.....	Kentucky
J. A. O. PREUS.....	Minnesota
G. A. TAYLOR.....	Tennessee
ALVIN E. HEBERT.....	Louisiana

Miscellaneous.

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WM. L. CLAYTON.....	Colorado
I. C. HATTABAUGH.....	Idaho
J. R. JOBE.....	Arkansas
JOHN C. LUNING.....	Florida
J. W. FERGUSON.....	Oregon

COMMITTEES.

B. L. GILL.....	Texas
R. B. FORSYTH.....	Wyoming
I. S. LEWIS.....	Kansas

Blanka.

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ALBERT L. REEVES.....	Missouri
S. E. STILLWELL.....	Ohio
R. E. ANKERS.....	Virginia
J. E. LANG.....	Maine
H. PIERSON HAMMOND.....	Connecticut
GEORGE GRAHAM, JR.....	Illinois
FELIX HEBERT.....	Rhode Island
L. A. ANDERSON.....	Wisconsin
L. G. HODGKINS.....	Massachusetts

PROCEEDINGS.

FIRST DAY.

Spokane, Wash., July 23, 1912, 2 P. M.

The Forty-third Annual Convention of the National Convention of Insurance Commissioners was held in the auditorium of the Spokane Hotel, Spokane, Wash., President Potter presiding.

The President: It is a great pleasure to see so many of the States represented here today. It surely is a far cry from Vermont to Spokane, and from South Carolina and Texas, and a number of other States which are represented here today in this meeting.

The first thing upon the program is a selection by the Spokane Insurance Men's Quartette. I know they will be good. (Applause.)

(Selection by quartette. Applause.)

The President: The next selection by the quartette is, I understand, "America," and we will all help.

(Singing of "America" by quartette and Commissioners.)

The President: We shall now have the pleasure of listening to an address of welcome by past president of the Spokane Chamber of Commerce, Mr. E. T. Coman, on behalf of that institution. I take great pleasure in introducing Mr. Coman.

Mr. Coman:

Mr. President, and Ladies and Gentlemen: It is a matter of sincere regret on my part that President Insinger is not here to extend to you the cordial greetings on behalf of the organization of which he is now the head. In his absence, however, I consider myself very fortunate in having the privilege of extending to you the welcome on behalf of the Chamber of Commerce of Spokane, for the reason that it was during the year in which I was president of that organization that the invitation was extended to your organization to hold your Convention for 1912 in the city of Spokane.

In passing I cannot let the opportunity escape of expressing the appreciation which the Spokane Chamber of Commerce feels to our own Commissioner Schively for the manner in which our invitation was presented to your Convention and which has resulted in your presence here today. (Applause.)

No organization can be national in character which confines its sessions to any one particular section of the country. And you, gentlemen, in making your pilgrimage to this, the most north-western of our commonwealths, have shown great wisdom, and the

broad national character of your organization, and have given your members an opportunity of seeing the resources of our country in its various parts.

We are delighted to have you with us. The gentle rains have fallen to settle the dust so that your journeyings about the city and surrounding country may be pleasant. We trust that the rays of the summer's sun may be tempered so that it may be cool for your deliberations. You will find cool nights and that you will be able to sleep as those who came from the Mississippi Valley are not accustomed during the heat of the summer.

We trust that your deliberations may be productive not only of much good to your Association, but to the vast aggregations of capital that come under your supervision, and that your knowledge and acquaintance with conditions here, and not only in Spokane, but in the entire Northwest as well, may result in your carrying home such a favorable impression of us and our country that you may long to return, and you will receive a most hearty welcome should you decide to become permanent sojourners in our midst.

The insurance men of the city of Spokane have practically suspended business operations, with the exception of the office boy and the stenographer, in order that the representatives of the various companies may be at your beck and call and make your stay pleasant and enjoyable. The organization of the Chamber of Commerce and its members are at your disposal at all times in order that anything may not be lacking to minister to your comfort and convenience and make your meeting here of such a nature that you will regard it as the most successful Convention you have ever held.

On behalf of the Chamber of Commerce and of the business organizations which it represents, I extend to you a most hearty welcome, and trust that your deliberations here may be so profitable and your experiences so pleasant that you will long to return to us again. (Applause.)

The President: We shall now have the honor of listening to an address of welcome by the Hon. W. J. Hindley, mayor of the city of Spokane. I have great pleasure in introducing Mayor Hindley. (Applause.)

Mr. Hindley:

Mr. President, and Gentlemen: There is an old drama written in an old book—a book which was familiar to most of us in our boyhood days, but which I am afraid many of us have since forgotten—that tells a story of a certain gathering where the sons of God came together to worship, and in that gathering a certain individual by the name of Satan appeared also; and in the colloquy that followed the intrusion of this strange being the statement was

made by him that "all that a man hath will he give for his life." And I think that was the inspiration for the formation of insurance companies. (Applause.)

Upon the principle of a man guaranteeing his term of productivity, even in old age, there has come to pass a wonderful evolution—an evolution that is surrounded today with problems that you men of affairs, you men of technical skill and experience gather together from year to year to discuss and for which I know you will find some solution.

There is a better inspiration, however, for your work than that statement of his Satanic Majesty, and that is the spirit of the better school that has been coming in in later years and has for its motto: "If any provide not for his own, and especially those of his own house, he hath denied the faith and is worse than an infidel."

I will say to you, gentlemen, this afternoon, that during the seven years, or a little more, in which I have occupied the Congregational pulpit in this city, I missed not one year of those seven in which I did not preach at least one sermon upon the question of insurance. (Applause.)

So that while, in a jocular moment, we may refer to the inspiration of insurance as of Satanic origin, you men have come with a wonderful ministry of relief to enable the father to serve his household.

I am glad to have you men hold your Convention in the city of Spokane to discuss some of these problems that have come up with the passing of the years, and that we are confronted with evidences of your remarkable prosperity, in so far as that prosperity reflects itself in the social, commercial and political problems of our times. We are glad that you chose the city of Spokane, but we knew that when Mr. Schively presented that invitation, with his irresistible oratory, and in the manner in which he presents all his claims, you would be here without fail. (Applause.)

We are glad that you brought your ladies with you. We welcome them to the city of Spokane. True to the Western spirit, we rather pride ourselves on the chivalry with which we treat those of our number who are not of the weaker sex, but rather those who are equal with us politically as well as all things else. (Applause.)

Now, gentlemen, you are here in Spokane representing a great many different lines of insurance activity in this country, and I trust that you will while here be unable to content yourselves with the mere discussing of the problems which you have to consider affecting industrial, life and fire insurance, and all those other staple lines in which you are dealing, but that you may be able to evolve some plan, originate some scheme, and announce some policy, by which the politicians of the State of Washington

may be guaranteed against the ravages of the recall petition. (Laughter.) And I can assure you that there will be a considerable number in the State of Washington who will take out policies within twenty-four hours after that announcement is made. (Laughter.)

I welcome you to the city of Spokane, not because I think you have come here with any such spirit as animated the young minister upon the occasion of the preaching of his first sermon to his first congregation. He said that he had chosen for his text the statement made by his Master concerning the purpose of His coming among the people of Nazareth. He said: "I am trying to emulate His spirit, and to represent Him among my people." He said: "I have chosen this text upon my first coming among you, for, like Him, I am here 'to heal the dead, to cast out the sick, and to raise the devil.'" (Laughter.)

I want to say that if there is any of that spirit manifested in Spokane during your stay, you will have to raise it, because ever since the preacher has been mayor he has been very quiet. We laid him to rest several months ago.

But, seriously, gentlemen, I don't know of any group of men who have more to do with the social conditions of our time than you have. Because within the scope of your activities are involved the happiness and the welfare of little children—the opportunities of those little children educationally, industrially, morally; and it is upon the matter of insurance or lack of insurance that a little competency or none at all depends when the father, the wage-earner, falls by the way through accident or through sickness, and there are thousands upon thousands of children whose destinies are involved in the character of the first few years immediately following. As a minister of more than twenty years' experience, and as mayor of this city now in my second year, I have seen enough of the misery, I have seen enough of the pitiful and pitiable conditions under which the homes of some people have been carried on when once their base of supplies had been cut from under them. You men have these things in your hands—the measure of safety, and the returns that are made upon the meagre savings that perhaps the premium dollar represents, the total insurance fund, the ways the funds are used, the laws that safeguard them, the supervision that you men exercise over the companies that provide this service in the homes of our people, and you have a larger responsibility than perhaps you sometimes think. I am free to say that there is your great work. Of course, following that are the immense opportunities that these quantities of wealth make in the commercial world; investments of these tremendous sums that accumulate from year to year; the opening up of new country; the

building of new cities that these loans make possible; the various loans and investments which are open to them in these wonderful years of ours. And you men are seized with the responsibility of supervision over these earnings from North, South, East and West. I welcome you to this Convention because you represent some of these great affairs. Then, too, if any abuses have crept in here and there through the concentrated power of money and organization, it is in the hands of you men to say that those abuses shall cease.

I believe that you are here in line with the highest statesmanship; that you are splendid American citizens; that your blood has not yet become anaemic, but that you have the same great red corpuscles which made possible the settlement of this country by our pilgrim fathers years ago.

I welcome you then to this city because I believe these things about you. I welcome you to the city that you have helped to build—a city which has experienced some of the things of which I have spoken. I think you will agree with me that this city is a fair example of the returns that can be made by wise supervision and the investment of these great public trust funds of which you men are the legally appointed guardians.

I say to you today, that Spokane opens her gates to you and to your ladies. There is no institution here to which your Convention badge will not be the open sesame. There is no department of the city government that will be closed against you but the city bastille, and for your sakes the commissioner of public safety has been temporarily suspended from office.

We welcome you to this city. We would be glad to show you the beautiful homes of our people. We are proud of them all. We are proud to tell the story that Spokane is a home-loving city; that we have a larger percentage of our homes owned by the people who live in them than any other city in the great Northwest. It is a rather unusual boast. It is a form of literature that you don't find in many of the publicity bureaus.

We find ourselves just now experiencing a little lull, perhaps, as compared with former years, in the tremendous developments. But even in this lull you will find us a considerably busy people. We are just now engaged in several miles of public work which I think you will find compares very favorably with cities of many times our population.

We welcome you to this city because we believe in you and we believe in ourselves. Spokane has come into that consciousness that makes possible her successful entertaining of national conventions such as yours. And we hope that as the years come and go we shall be able to entertain such conventions as were held in Chicago and in Baltimore recently; and I will tell you that the

Western spirit will dominate those conventions to a different issue than some of them seem to indicate so far as the Washington delegation is concerned.

So, ladies and gentlemen, without any tiresome speech, I simply wish to say to you, on behalf of the citizens of Spokane, and as their chief executive, as mayor of the city, I extend to you the freedom and the liberty of everything we have. May the days that you spend among us be pleasant; may the return to your homes be only for such time as the ties of affection demand; may you have such a homesickness and longing for the land that is back in the mountains as will some time bring you back to stay with us, to help us build up this great commonwealth, to help us to make the last great stand of the last great march of Western civilization. (Applause.)

The President: Gentlemen of the Convention: Those of us who were at Milwaukee at the Convention last year, and most of us were there, well remember the presence of the Commissioner of one of the far Western States. That gentleman was very much in evidence. Not only was he there to participate in the proceedings of the Convention, but he was there to impress upon us the desirability, yea, the absolute necessity, of holding our Convention in the city of Spokane this year. He did his work in no formal way, but saw each Commissioner individually, and one by one the roses fell. And the result is that we are here today. It is not necessary for me to introduce to you the Commissioner from the State of Washington; he needs no introduction at my hands. Mr. Schively.

Mr. Schively:

I was reminded, Mr. President, and gentlemen of the Convention, a moment ago of a little choice bit of history. Mr. Webster and Mr. Choate were opposed to each other in a lawsuit involving the stealing of a cow. Mr. Choate made a most eloquent and admirable appeal to the jury, couched in most persuasive and wonderful language, and Mr. Webster, when it came his turn to reply, realized that he was, in no sense of the word, a match for the speaker who had gone before. So he said: "Your Honor, and gentlemen of the jury: You have just heard probably the most eloquent speech of your lives. Never before was a scene set or a picture painted in such glowing language; never before have the stars shone with such glory; never before were the sleeping valleys and the rolling hills of this great nation described to you in such beautiful language as by my honored opponent, Mr. Choate—but, the simple question is, 'Did Tom Brown steal Bill Smith's cow?'" (Laughter.)

So it remains for me, after the eloquent addresses to which you have listened, not so much to charm you with a flood of oratory, but rather to say that you are welcome to the State of Washington.

You will remember how earnestly I invited you to come. (Laughter). With a thousand times more intensity do I say that you are welcome to the State of Washington. (Applause.)

From the wind-swept prairies of the eastern section of this State to the sea-bordered shores of the western slope, all has been swept and washed for your admiration; has been garnished that you may enjoy it. And while I am on the word garnished, I am authorized to say that every bank account in this State has been garnisheed for your entertainment. (Laughter.)

One time a gentleman visited a farmer here in this State, and he observed that the boys in the home were most courteous to their mother, were most obedient to their mother. Every wish that she expressed was complied with by the boys with remarkable rapidity; every desire immediately gratified. And the visitor was curious as to what could be the reason for it, and why it was that the boys were so very courteous to their mother. It had not been his privilege to observe such a happy situation theretofore. After a while, in the course of the evening, he was taken into the parlor of the home, and he observed on the wall of the room a large black whip, and over it the words, "Boys, please be kind to mother." (Laughter.)

Not under the threat of the whip, but out of the kindness and hospitable hearts of the people of this State, I repeat, we welcome you to the State of Washington. I have telegrams, and you know I had some last year, from Seattle, Tacoma, and other parts of the State, extending to you invitations to visit, at the close of this Convention, those interesting portions of the State of Washington.

I was about to read you my authority for this address of welcome. I am simply, for the moment, an emergency man. The Governor of the State, the Hon. M. E. Hay, was to have given you this address of welcome, but his official duties kept him away, and he wrote me asking if I would represent him for the time. Therefore, in the name of the Governor of the State, in the name of every State official, and in the name of every man, woman and child in the State, I bid you gentlemen a most cordial welcome to the State of Washington. We would like you to remain with us forevermore. And when you return to your official duties in your Eastern homes, settle them up as rapidly as possible and come to us; and we will not only give you a welcome in this transient sense, but in a permanent sense—a most cordial welcome—to this great State of Washington. (Applause.)

The President: A response will now be made, on behalf of the Convention, by a representative of one of the Southern States of our country. Commissioner McMaster, of South Carolina, will

respond to these splendid addresses of welcome from the great Northwest.

Mr. McMaster said:

Ladies and Gentlemen, Your Honor, the Mayor of Spokane, Mr. President of the Chamber of Commerce, and Commissioner Schively: As I listened to your cordial words of welcome and to what you have said of your people, your city and your State, I understood better than ever that

"Out where the world is in the making,
Where fewer hearts with despair are aching,
That's where the West begins.
Where there's more of singing and less of sighing,
Where there's more of giving and less of buying,
Where a man makes friends without half trying,
That's where the West begins."

On behalf of my fellow Commissioners here present, representing various States of the Union, most heartily do I thank you for your greetings and for your sincere tender of hospitalities. It is needless to tell you that we have looked forward to this meeting at Spokane with high expectations. And while your kind words fell on grateful ears, yet they were not needed to make us feel at home. Indeed, we are at home—wherever we come from—wherever we go to, if the Stars and Stripes be above us, we are at home. We know that everything here is as much ours as the things we left behind. Those of us who are here for the first time are merely learning better than ever before the length and the breadth, the strength and the greatness of our own loved country.

Pardon the personal reference—you cannot know the peculiar significance there is to me in being the spokesman of my fellow Commissioners on this occasion.

I come from the land of the waving palm,
A sun-kissed land of ease and charm,
With jasmine vines and violets blue,
A land with a past but with visions, too,
With hearts and wills for any fate!
I name as my home the Palmetto State!

From the most Southeastern State of the Union to the most Northwestern State—the Evergreen State—I come, as it were, with my arms filled with tokens of joyous acknowledgment from all the other States in the Union for our presence here!

Another fact. It is due to the modesty and the gracious courtesy of him whom I delight to call my friend, the Commissioner from Massachusetts, the Vice President of this Convention, that South Carolina speaks instead of Massachusetts.

Permit me to quote from one of the most notable speeches ever made by that most illustrious son of Massachusetts, Daniel Webster:

"Sirs, let me recur to pleasing recollections—let me indulge in refreshing remembrances of the past—let me remind you that in early times, no States cherished greater harmony, both of principle and feeling, than Massachusetts and South Carolina. * * * Shoulder to shoulder they went through the Revolution, hand in hand they stood 'round the administration of Washington, and felt his own great arm lean on them for support."

For South Carolina to speak for Massachusetts, that State which gave Washington State her first territorial Governor, Gen. Isaac I. Stevens, is not only significant to me of the spirit, gloriously potential for good, which lives in this nation and binds it together, but to me it is a high honor.

To him who will study even a little of the early history of the great State of Washington, this meeting will not only be most significant, but his soul will be cheered with love for all sections of this great nation of ours and with confidence in its destiny. Do you recall that fearsome cry of the early forties, which threatened to rend beyond long curing peace between the United States and Great Britain, "Fifty-four, forty or fight!" I believe I may say, without disparagement to others, that it was the statesmanship of John C. Calhoun, of South Carolina, which settled that dispute in peace, and fixed the northern boundary of the State of Washington. His closing words in his great speech on the "Oregon Question" were: "War may make us great; but let it never be forgotten that peace only can make us both great and free."

The election of Franklin Pierce, of New Hampshire, to be President, in 1852, insured the development of the Territory of Washington, and Jefferson Davis, of Mississippi, then Secretary of War, selected and sent out General Stevens as its first Governor, in 1853.

It took the Governor from June 6th to November 25th, five months and nineteen days, to go from St. Paul, Minn., then a thriving hamlet of 1,200 souls, to Olympia, Wash., then a settlement of a few huts. Now the trip may be made in three days.

What history has the United States made since then! What loose bonds were broken to be made forever fast! There is this glorious thought: in the early making and in the late uniting, all hands have had a share.

Unroll the scroll of time and you will find nothing like it for human opportunity and human achievement—the only approaches to it being in the glories of the ancient Grecian republics, or in the

grandeur of the early Roman republic, or in the bewilderingly brilliant Italian republics of the Middle Ages. But they failed to find the sesame by which this nation has opened the door of opportunity to mankind and keeps it open.

Speaking of those dear, dead republics, another great son of Massachusetts, Edward Everett, in 1828, said: "In respect to freedom they established popular governments in single cities; but for want of the representative principle, they could not extend these institutions over large and populous countries. But as a large and populous country, generally speaking, can alone possess strength for self-defense, this want was fatal. The freest of their cities accordingly fell prey, sooner or later, either to a foreign invader or to domestic traitors."

But the United States, in the providence of God, consecrated at its birth to the Christ-given principle, put into words, in 1776, by Samuel Adams, also of Massachusetts, that: "In the judgment of heaven there is no superiority among men, save the superiority in wisdom and virtue," not only found that life-preserving element of representation, but, since General Stevens blazed the trail to the State of Washington, in 1853, it has realized that stability comes only from union. Lacking, indeed, in sentiment and in hope, is he who, reviewing what this nation has done since then, is not inspired to high ambitions and noble deeds.

In domestic virtues, in supplying domestic wants, in our triumphs over nature, we have risen to heights which the ancients never saw. In modesty and in truth we may not claim equality in the fine arts. But with clearer ideas of the relations of man to the mass, and a growing realization of the value of the individual man, and his kinship to God, the forthcoming longing for beauty—and beauty is truth—will lift us into higher and more aspiring spheres.

"I gaze, and I am in control
Of Hope that sees and Faith that knows;
Across the highlands of my soul
A wind of exaltation blows."

And where sooner shall these dreams be realized than in this glorious and untrammelled West, which, with such youthful strength and unrestrained spirit, builds upon the mind and matter of the past?

"Where the handclasp is a little stronger,
Where the smile lasts a little longer,
Where there's laughter in every streamlet flowing,
Where there's more of reaping and less of sowing."

We thank you for your welcome. It and you will do us good.

The President: **Gentlemen, the first business of the Convention** is the roll call of the States by the Secretary, and as the name of each State is called, will its representative please rise and give to the Secretary the names and official positions of those representing the commonwealths.

The Secretary: Before calling the roll, it will probably be well for me to read Article 2 of the Constitution, which is as follows:

"Article 2. Its (the Convention's) membership shall consist of the Commissioner, Superintendent or other official who by law is given charge of insurance matters in each State and Territory: **Provided, however,** That such official may delegate as his representative, any person officially connected with his department, who is wholly or principally employed by said department, and who is a legal resident of the State wherein the department is located."

Alabama.—Cyrus B. Brown, Secretary of State and ex officio Insurance Commissioner.

California.—E. C. Cooper, Insurance Commissioner.

Colorado.—W. L. Clayton, Insurance Commissioner, and Adrian Starkey, Deputy Insurance Commissioner.

Connecticut.—Barton Mansfield, Insurance Commissioner, and H. P. Hammond, Actuary.

Idaho.—E. J. Phelps, Deputy Insurance Commissioner.

Illinois.—Fred W. Potter, Superintendent of Insurance; O. B. Ryon, Attorney, and George Graham, Jr., Actuary.

Iowa.—John L. Bleakly, Auditor of State and ex officio Insurance Commissioner.

Kansas.—C. J. Wilson, Assistant Superintendent of Insurance.

Kentucky.—J. F. Vansant, Deputy Insurance Commissioner (third day).

Louisiana.—Alvin E. Hebert, Secretary of State and ex officio Insurance Commissioner.

Massachusetts.—Frank H. Hardison, Insurance Commissioner.

Michigan.—C. A. Palmer, Insurance Commissioner.

Minnesota.—J. A. O. Preus, Insurance Commissioner, and Charles W. Farnham, Attorney.

Missouri.—Frank Blake, Insurance Superintendent, and A. L. Reeves, Actuary.

Montana.—Charles M. McCoy, State Auditor and ex officio Commissioner of Insurance, and E. G. Halley, Deputy Commissioner.

Nebraska.—Silas R. Barton, State Auditor and ex officio Insurance Commissioner.

New York.—Henry D. Appleton, First Deputy Superintendent of Insurance, and H. E. Ryan, Assistant Actuary.

North Carolina.—James R. Young, Insurance Commissioner.

Ohio.—Clement L. Brumbaugh, Deputy Superintendent of Insurance.

Oklahoma.—Arthur W. Pettit, Deputy Insurance Commissioner.

Oregon.—J. H. Ferguson, Insurance Commissioner.

Pennsylvania.—Charles Johnson, Insurance Commissioner, and Samuel W. McCulloch, Deputy Commissioner.

South Carolina.—F. H. McMaster, Insurance Commissioner.

Texas.—B. L. Gill, Insurance Commissioner, and R. C. Burton, Actuary.

Utah.—Willard Done, Insurance Commissioner.

Vermont.—Edward H. Deavitt, State Treasurer and ex officio one of the Insurance Commissioners.

Washington.—J. H. Schively, State Insurance Commissioner; William A. Nunn and Frank Edwards, Deputy Insurance Commissioners, and Miss Flora Schively, Clerk.

West Virginia.—J. H. Darst, State Auditor and ex officio Insurance Commissioner.

Wisconsin.—H. L. Ekern, Insurance Commissioner, and L. A. Anderson, Actuary.

The President: There are twenty-eight States represented; a very good showing. I have some telegrams which I will ask the Secretary to read.

(At this point the Secretary read various messages of regret at inability to be present at Convention from various insurance officials.)

The President: "Gentlemen of the Convention, I believe it is customary at this stage of the proceedings for the President to read his annual address, and that practice will be followed.

For the first time since 1871, the year of its birth, this Convention is meeting in a section of the country most of which at that time was a wilderness. Denver, St. Paul and Colorado Springs are the farthest points West at which meetings of this kind have heretofore been held.

It is a matter of congratulation to all of us that the States composing this great Northwest have made the same progress in insurance conditions that has characterized their other lines of growth, and that all have well equipped departments of insurance, each with its own supervising official. Better than this, these officials to whom is entrusted the supervision of the various companies doing the business of insurance in their several States, are imbued with the spirit of progress in their chosen fields of labor, and are co-operating by active membership in this Association, and in other ways, with their fellow officials in different sections of the country, in bringing about various changes and reforms, which

have contributed largely to the improvement of insurance conditions which we have witnessed during the past few years.

The president of this Convention for some time felt the need of the more hearty co-operation in its work, of the supervising officials living west of the Mississippi with those residing elsewhere. It has been a pleasure to him to give these men more committee assignments than they ever received before, and, in addition to this, the Convention has honored them with more representation on the Executive Committee, and in various other ways. The result has been that the insurance officials of the Northwest have done more committee work than formerly, they have been more faithful in attendance upon our meetings, and in behalf of the Convention I desire to express my thanks for their labors and attendance at these gatherings. I realize that they have been present frequently at great inconvenience and personal sacrifice, owing to the great distance at which they reside from our usual meeting places, and it is greatly to their credit that they have so ably done the work assigned them.

After an experience of several years as a supervising official I feel that perhaps the most valuable work done by our Association has been in the securing of uniform legislation and rulings, and in the work of Convention examinations.

The question of Federal Supervision vs. State Supervision has often been discussed in our meetings. It seems very clear that Federal supervision, even if desirable, is too remote for profitable discussion. Through the work of our Committee on Laws and Legislation, to which is referred for suitable action the conclusions of many of the other committees, we have been able to present reasonable legislation to the lawmaking bodies of the various States, thus securing, in a measure at least, the uniformity of laws so much needed and so much desired by ourselves and the corporations which we supervise.

As time goes by I am more and more impressed with the great value of this work, and until other and better methods to bring about uniformity of insurance laws are discovered I know of no better work that we can engage in as an Association than our efforts to secure this uniformity. No better illustration of this can be found than in the proposed legislation looking toward standard provisions for health and accident policies, so successfully worked out by the Special Committee on Examinations of the affairs of health and accident companies doing an industrial business. Proposed legislation looking to the licensing, by proper State authorities, of all stock selling agents also well illustrates the value of labor of this kind.

The old method of indiscriminate examinations has practically disappeared, we hope forever. The work of the Committee on Examinations, done in accordance with our understanding of the authority of the committee, has resulted in the greatest good to the companies and the Commissioners. The companies' expense charges on account of indiscriminate examinations have been materially lessened, and at the same time the supervising officials have been able to avail themselves of more information regarding company conditions than ever before.

The work of the Chairman of this committee has grown to enormous proportions, and this Convention owes it to him to devise some practical plan to do this work in such a way as to relieve him of the ever-increasing demands on his time, because of the larger volume of work assigned to his committee. It is to be hoped that the report of the special committee, consisting of the officials of this Convention, to which was assigned the preparation of a plan for a central bureau, to relieve the Chairman of the Committee on Examinations of much of his work, and at the same time to increase the scope of the work now handled by that committee, will be, in a measure at least, satisfactory to the Convention.

Largely owing to changing political conditions in the various States, many changes in Commissioners have taken place since we met in Milwaukee in August of last year, no less than nine States having new men at the helm. Speaking from my own experience, I can safely say that this Convention is the greatest possible aid that a new man can have in his work. By attending our meetings, and participating in our committee work, he can soon become familiar with his duties and, in addition to this, the personal contact with his fellow officials is of the greatest value to him. In his correspondence with them he no longer feels that he is writing to strangers, but to those who are ready and willing to aid him in every proper way. I desire to urge upon all my fellow Commissioners, and especially upon the new members of this Convention, the great importance of the meetings of this body and its committees, occurring as they do at various times and places during the year.

We are to be congratulated upon the fact that other organizations of insurance people, composed of both company officials and agency men, are working with us for the betterment of conditions in our field of labor. It is no longer true that there is clearly defined antagonism between fair supervising officials and level-headed men occupying various positions with the insurance companies. On the contrary, we note an ever increasing willingness on their part to co-operate with us in bringing about needed

reforms. This is as it should be. Fair-minded men, no matter whether the supervised or the supervisors, can usually agree on what should be done if they are given an opportunity to get together for discussion.

When one considers the vastness and importance of the interests we are called upon to supervise, it seems clear that we should welcome co-operation from all those bodies which are seeking to improve conditions for the people whose interests we are appointed to conserve, for by so doing we avail ourselves of the valuable experience of company officials and agency men.

A glance over the field of insurance at the present time shows that public attention is being directed most strongly to the business of fraternal life insurance, health and accident insurance, workmen's compensation insurance and fire insurance.

The measure known as the Mobile bill, the universal passage of which would solve, to a great extent, the problems of fraternal orders, has been enacted into law in sixteen States, with some amendments to meet local conditions. Efforts to pass this measure in other States have met with fierce opposition from some of the officials and members of a great many low rate orders who seem quite content to see these societies rise, flourish for a time, and die; to be succeeded by others which are certain to travel the same road. It seems clear that many who oppose higher rates believe that these societies exist for the benefit of the management rather than the membership.

I desire to urge upon those supervising officials who have the necessary authority that they refuse admission to all orders with inadequate rates, and also refuse to relicense such societies as are within their gates. Such action on their part would assist materially the Commissioners of those States whose Legislatures, because of political pressure on their members, refuse to pass legislation placing those orders on a permanent basis.

Health and accident companies, especially those doing an industrial business, have been in the limelight during the past year, perhaps more than was good for the business.

It seems that the net result of the agitation will be less frills and promises in their policies of insurance, and the issuing of policies containing standard provisions at premium rates commensurate with the benefits offered. It is clear, I think, that many of the policies issued by industrial accident companies contained more promises than the companies could fulfill at the rates charged, and the action of the companies criticised for scaling claims was the natural outcome of these conditions.

The workmen's compensation acts passed in many States place the cost of insurance as an extra charge upon the business of each employer of labor affected by the laws. On account of the provisions of many of these laws, rates for employers' liability insurance have been materially increased. This has resulted in the organization of many companies doing the business of employers' liability insurance, especially upon the mutual plan.

I desire to urge upon all the members of this Convention the necessity of making provision for the formation of strong stock and mutual companies to carry on this class of business for obvious reasons. This class of business should not be attempted by weak concerns owing to the necessity of corporations of this kind being able at all times to pay their claims, so that the beneficiaries of policies issued by them will never be disappointed. These beneficiaries, above all others, need the strong arm of the law thrown around them. Their claims should always be readily met.

The subject of fire insurance is, I believe, the most important one before us today. There is need of our co-operation to reduce the fire waste, and to provide that the fire tax, or premiums paid, shall be equitably distributed.

It is safe to say that no other form of insurance activity has in recent years been the subject of so frequent legislative inquiry and attack as has fire insurance. Whatever may be the results of these investigations, or the operation of the recently enacted laws, the cause of the agitation is traceable directly to the stock fire insurance companies.

Immediately following the San Francisco fire, while the attention of the whole country was directed to fire insurance, the fire companies began a nation-wide campaign of publicity and fire insurance education.

Of necessity, it was their first duty to bring the public to a full understanding of the importance and magnitude of the problems involved, and to do this the elements of the premium charge were analyzed, and for the first time in the history of the business were in a systematic way made public.

It was shown that American insurers were paying more than \$2.50 per capita annually in premium charges while the cost of the same indemnity in foreign countries was from one-fourth to one-twentieth of this amount.

The fire companies, through various organized agencies for this purpose, exploited the necessity for better building laws, and ordinances, for cleaner streets, alleys and buildings, safer electrical wiring, the general removal of all known causes of fire, and espe-

cially the enactment of more stringent laws providing greater personal responsibility for preventable fire losses.

This educational campaign has not in all localities met with the result anticipated, but, on the contrary, some of the States have assumed that the reason for the high cost of fire insurance was entirely with the insurance companies, rather than with the insurance buyers.

Even in this very progressive period of our national evolution, it is quite evident that the average citizen is very anxious to reform his neighbor, but hesitates at reform if it begins at home. Fire insurance is just now the subject of much reform of this character.

The legislative commissions of Illinois and New York, both of which made reports in January, 1911, found that the profit of fire insurance in the United States was not unduly large; indeed, not sufficiently large to warrant a suggestion that premiums might be reduced without previous reduction in the expense of fire waste. But, notwithstanding this condition, several States since these reports were made have undertaken the problem of State rating for fire insurance, and in every instance upon the presentation that the profits of the business were abnormally large, and that reductions in premium charges could be secured only by State intervention and supervision.

It is not believed that any law providing for State-made rates will very long be satisfactory to its promoters if it does not result in a substantial rate reduction in the States having such laws. Indeed, this is the avowed purpose of such laws, and has been the result where the laws have been very long in operation.

Two States with laws of this kind have in 1911 produced a loss ratio about twenty-five per cent. above the normal ratio in the United States and thirty per cent. above that of Illinois, and without any conflagration and with no loss beyond the ordinary.

It appears very certain that important insurance States producing a large volume of premiums and with a normal loss ratio will not long license companies operating in those States having rating laws, which refuse so to regulate their rates as to produce a fair contribution to the general premium charge of the country.

The interest of the State in the premium charge primarily is twofold:

1. That the premium tax is fairly distributed within the State according to hazard; and,
2. That the rate level in the State preserves a fair and proper relation to that of other States and to the country at large.

All States should pay a ratable share of the fire losses of the whole country, and insurance companies should be permitted so to

adjust their charges as to produce a reasonable profit and accumulate a reasonable surplus for extraordinary losses, and no State should enact or enforce any law which will seriously disturb this adjustment or prevent fire insurance from performing its proper economic function.

There is no doubt that there is not now an equitable distribution of the premium tax in many States. Competition and other causes have contributed to destroy the adjustment, and it is doubtful if insurance companies themselves can or will produce a satisfactory distribution.

The Legislatures should, therefore, pass a stringent antidiscrimination law and clothe the Insurance Departments and the State's attorneys in the several counties of the States with power to enforce it, and should also give the Insurance Departments power to inquire into the questions of rate inequality and authority to enforce their rulings upon this subject.

We are certainly living in a day of regulation and investigation, and how far the so-called regulation should interfere with the normal functions of the great commercial and industrial activities is an economic problem which should have more care and thought than it has been receiving.

It is difficult to appreciate the reasons for a law providing for State-made fire insurance rates which do not argue with equal power in favor of State-made lumber rates, or of State-made rates for the retail business of flour, meat or clothing, and it is not unlikely that buyers of fire insurance, who are also sellers of something else, may in the near future find their own argument in favor of paternalistic fire insurance turned against all forms of industrial and commercial enterprise.

The expense of conducting the fire insurance business has increased very greatly in recent years, partly as a matter of necessity, but partly as a result of strenuous and sometimes unreasonable competition for business. Here, again, the State should interfere, and by law place some proper limitation which would prevent further increase and enable fire insurance to rid itself of some of the needless and uneconomic charges upon it. The expense ratio of 248 companies reporting to the Illinois department for the year ending December 31, 1911, was 40.73 per cent. of the net premiums, high enough certainly to attract the attention of the General Assembly unless the companies take prompt and effective steps to at least prevent a further increase.

Although the operations of many of the large fire companies are nation-wide, your President believes that fairness to all their policyholders calls for equal and exact treatment in the matter of

the cost of their insurance, on the same class of risks, no matter what the name of the State in which they are located." (Applause.)

Mr. Ferguson, of the Committee on Credentials, moved that the official roll call of the Convention constitute the report of the Committee on Credentials.

Duly seconded and adopted.

The President: Commissioner Schively desires to make an announcement.

(At this point Mr. Schively outlined to the Commissioners the program of entertainments that had been prepared for them by the various organizations of Spokane, cordially inviting and earnestly urging every one to accept and enjoy the entertainment provided.)

The President: Will the Secretary call the roll of the various committees.

The names and membership of the various committees as revised was thereupon read by the Secretary, whereupon arrangements were made for meetings of the committees.

In the absence of Commissioner Button, of Virginia, the chair appointed Commissioner Mansfield, of Connecticut, to act in Mr. Button's stead as a member of the Special Subcommittee on Industrial Health and Accident Company Claim Adjustments. It was also understood that Deputy Superintendent Brumbaugh, of Ohio, should take Superintendent Moore's place, in the absence of the Commissioner, on committees.

Mr. Palmer: Most of you probably have observed that the committee which has in charge the matter of our entertainment while in Spokane have rather crowded the work of some of our sessions. A special subcommittee has been appointed to rearrange this program in order to give us an opportunity to dispose of our work before we indulge in the pastimes offered to us by the Committee on Entertainment. We hope to rearrange the program so that we shall not be obliged to overlook anything that is offered to us. At the same time, we feel that we are here for the purpose of doing business for our various States and our first purpose is to conduct the business and we will endeavor to arrange the program so that we may avail ourselves of the entertainment later.

On motion, Convention adjourned until tomorrow morning at 9 o'clock.

SECOND DAY.

July 24, 1912, 9:40 A. M.

President Potter in the chair.

The Secretary read numerous telegrams from various organizations, officials and individuals conveying invitations for the 1913 Convention, which were referred by the Chairman to the Executive Committee, the cities of Tacoma and Chicago and Oklahoma City being among those represented.

The President: The first thing on the program this morning is a paper by Commissioner Hardison, of Massachusetts, on the Workmen's Compensation situation. It gives me great pleasure to introduce Mr. Hardison.

(Mr. Hardison's paper will be found commencing on page 150 of the Appendix.)

Discussion of Mr. Hardison's Paper.

Mr. Preus: I think of all the questions that are being discussed in the insurance world today, there is none of more importance to our people in general than is the question of compensation. Three years ago in the State of Minnesota a commission was appointed, consisting of three men, who were sent to Europe for a period of one year to study this question, and they came back and reported to the Legislature, but no results were obtained in the State of Minnesota. The workingmen in our State have been much interested in the question ever since, but have been unable to get the Legislature to do what they desire.

The masterly manner in which Mr. Hardison has handled this question; the care and minuteness with which he has prepared his paper, are things which I feel we all appreciate very much. And I should like to see this Convention, if it sees fit, publish a thousand copies of this paper of Mr. Hardison's. Perhaps I have a selfish motive in the matter, for I would like to circulate that paper among the legislators of the State of Minnesota. I, therefore, move that a thousand copies of this paper be printed by the Executive Committee.

Motion seconded and adopted.

Mr. Bleakly: While the question has been put and carried, I think that if one thousand copies would be good, why not five thousand? That would be better, it seems to me. There are forty-six States, several of which will hold sessions of their Legislatures during the next winter. I would like to have two or three hundred copies for distribution in the State of Iowa. We have at the present time a commission investigating this very subject, and I am sure that the people of Iowa are so much interested in it that we could get a

proper distribution of four or five hundred copies in that State. If it is not too late, I would like to have that motion reconsidered, and, therefore, move to make it five thousand copies instead of one thousand. I move that the vote by which this motion was carried be reconsidered.

Mr. Young: I doubt very much whether even five thousand copies would answer the purpose of all the Commissioners. It has occurred to me that possibly it might be a good idea for the States that desire extra copies to communicate with the Secretary and let him notify each State what the additional number they desire would cost, and then let them provide for that. I don't know whether the Convention finances would justify the printing of five thousand copies of the address. I would like to have more than would be allotted to my State even on the five thousand basis, and I am perfectly willing to bear the expense of the additional number that I need.

The President: It has been the custom, owing to the limited amount of funds at our disposal for this purpose, to print a limited number of copies of these addresses, with the understanding that there would be no objection to the Commissioner of any State, or any parties interested in matters of this kind, to print any number of copies that they desire for distribution among their own people. If we print and distribute one thousand, and you desire five thousand in your own State, or any other number, that would be a matter for you to settle and adjust. With that understanding we will leave the matter as it is, if that is satisfactory to Auditor Bleakly.

Mr. Bleakly: Yes, I am quite willing to do that.

The President: The Commissioner from Massachusetts won't object, certainly, to any number of these addresses being printed.

Mr. Young: They won't be copyrighted, I suppose.

The Secretary: I failed to announce a slight change in the program that had been referred to a special committee. We have changed the program this morning so that the two papers, one on The Fraternal Situation, by J. R. Young, of North Carolina, and the other on Valuation of Fraternal, by L. A. Anderson, of Wisconsin, will be read tonight at 7:30.

The President: Will there be any further discussion of Commissioner Hardison's paper? There is an opportunity here for general discussion of papers and committee reports, according to the program, after the four assigned topics have been handled, but it occurs to me that a proper time to do that, if it is thought desirable, would be at the conclusion of each paper. I am sure that the Commissioner from Massachusetts would be glad to answer any and all questions relative to the subject matter of his paper.

Mr. Young: Mr. Hardison stated in his paper that there was no opportunity given to the Commissioner to pass upon excessive rates. I would like to ask the gentleman if he thinks it would be desirable to have that in the law?

Mr. Hardison: My reply to that is, Mr. Chairman, that I should not want to undertake it as a Commissioner. It is no simple task to pass upon the question of whether a rate is adequate, but to determine whether or not they are just and right and proper is altogether a different proposition, and I don't feel that our department, and I presume the same is true of other departments, has sufficient information to determine that question exactly.

Mr. Young: I just wanted to get the gentleman's opinion as to whether it would not be desirable to have something in the law to prevent excessive rates.

Mr. Hardison: I don't think I would go as far as that myself.

Mr. Palmer: Mr. Hardison, under the operation of the mutual feature of your law, the mutual companies are required to rebate any excess, are they not?

Mr. Hardison: Yes.

Mr. Palmer: Since you are able to obtain the necessary data in connection with that matter, would it not be possible to obtain data in reference to the rates charged by the corporations by the same methods?

Mr. Hardison: In the course of a few years, after that experience has been collated, we will have the returns all in our department, and of course there will be a basis for determining whether rates are fair and proper, that is, just. But as I stated in my paper, at the present time the rates are made by the insurance companies, and the rates made by anybody on this workmen's compensation is simply excessive. They cannot be anything else, because there is no experience except the experience of other countries to guide them, and they are so different, and the benefits are so different, that they cannot readily be compared.

Mr. Palmer: Would you not favor the plan of having the law provide that it should not go into operation until the expiration of a certain period of time, so that the rates might be established from experience? Would there be any objection to that plan?

Mr. Hardison: That would probably work out all right.

The President: Is it no true, Commissioner Hardison, that competition will regulate those rates without any interference by the department?

Mr. Hardison: It is intended in Massachusetts that it shall work out in that way, and that is the purpose of getting the information so as to determine whether the rates are adequate or not, so that any class of companies cannot control rates, so as to cut out rivals.

Competition, it is believed, will keep down the rates very materially in Massachusetts.

The Secretary: I would like to ask Mr. Hardison this question: In connection with the matter of competition, you stated that the stock companies had been required to file with you the result of their experience, and their rates compiled from that experience on the various lines, and that they finally simply filed some schedule of rates, which, I believe, didn't give their experience, but simply gave the rates. You attributed that to the burden that was laid upon the companies and their inability to compile that experience. Are you perfectly satisfied that that is perfectly correct, and that there is not an agreement among those companies as to rates rather than a fixing of rates on the basis of their experience?

Mr. Hardison: The association comprises, as I stated in the paper, some fifteen members that were working together in the making out of the rates manual. The other eight or ten companies did not collaborate with the fifteen, but they adopted the same manual that was worked out by the other companies. The working out of that manual was, as you may suspect, a very large and burdensome task for a single company to work it out alone. Whether that was the reason whether the unattached companies did not work out rates and classifications for themselves I don't know, but the fact is that they all filed the same manual and the same classification of rates. There is certainly an understanding between them as to those rates. Now, whether there is any understanding or agreement that is in violation of any of our statutes in Massachusetts has not yet been determined. That is a question that is being considered. We have not yet recognized in the department any bureau, or anything but individual companies, and if there is a combination there that is in violation of law, that is a matter that will be taken up and given proper consideration later.

Mr. Done: I desire to ask Commissioner Hardison if he does not think that this whole matter is one for gradual development rather than for any kind of summary legislation at this time with reference to rates? It seems to me that it is rather early in the history of our experience in compensation matters for us to determine arbitrarily what are excessive rates and to give arbitrary power into the hands of the Commissioners to set up a limit. I would like to ask if it is not his opinion that this is a matter that will gradually develop during the next few years?

Mr. Hardison: I don't see how the rates can be anything but experimental for the present.

Mr. Palmer: I would like to ask Mr. Hardison one other question: How do you establish your rates? On the post mortem

plan—I mean the rates to be paid by the different companies under the operation of the law?

Mr. Hardison: I don't understand your question.

Mr. Palmer: We have a workmen's compensation law that takes effect the first day of September, and they can adopt one of four different options: The companies can carry their own insurance; they can organize mutual companies; they can carry it in liability companies, or they can place it in the hands of the Insurance Department. The bill as it was originally drawn had the post mortem plan of arriving at the premium, and we changed that and put it on the reserve plan—changed it so that rates could be established and the companies pay the funds into the Insurance Department if it came through in advance of the information rather than wait until after the accident and then make up the premium.

Mr. Hardison: The premiums are paid in advance and paid on the basis of the present value of what the cost may be. Does that answer your question?

Mr. Palmer: On the reserve basis?

Mr. Hardison: Yes.

The President: Before we proceed further, are there any delegates now present that were not registered yesterday? Are there any other departments represented? If so, we would like to know it.

The next topic on the printed program is a paper on Adequate Reserves Against Employers' Liability and Workmen's Compensation Risks, by Hon. W. T. Emmet, of New York. Auditor Barton, of Nebraska, is on the program for a paper for Friday, his subject being Expense and Rates of Fire Insurance Companies. I understand that the Auditor desires to leave the Convention before the time fixed in the program for his paper on Friday, and that Mr. Appleton, of New York, who is to read Superintendent Emmet's paper, is willing that Mr. Barton should be substituted in his place on the program. Accordingly the next paper will be one by Auditor Barton on the subject of Expense and Rates of Fire Insurance Companies. It gives me great pleasure to introduce Auditor Barton, of Nebraska.

(Mr. Barton's paper is to be found commencing on page 159 of the Appendix.)

Discussion of Mr. Barton's Paper.

The President: Gentlemen, it occurs to me that we can surely find money enough to print a thousand copies of that paper for distribution. If there is anything that the average legislator needs, it is information of the kind presented by Auditor Barton. The

chair would like to entertain a motion to spend some more money for that purpose.

Mr. Done: Mr. Chairman, I very cheerfully and gladly make that motion. Duly seconded and adopted.

Mr. Palmer: That included the tables?

The President: Yes, it includes the whole paper.

Mr. Preus: If it is proper at this time I would like to call attention to a little instruction we might get from Mr. Barton's paper. When I first became a member of this Association I was made Chairman of the Committee called Expenses of Fire Insurance Companies, and I took it for granted at that time that it was of about the same importance as the committee on acoustics of the United States Senate. (Laughter.) It seems to me that Mr. Barton has struck at the root of this matter in the last remarks that he made. He said that the difficulty does not lie so much in the expense proposition as in the equal distribution of rates. Would it not be well to change the name of that committee? I don't think that the Commissioners of Insurance are interested particularly in the expenses of fire insurance companies, but what they are interested in are the rates that are charged the public. This limits the authority of this committee. They can consider only matters in connection with the expenses of fire insurance companies. If the name of that committee could be changed to Committee on Rates, or something like that, I think that it could do some valuable work. For example, Mr. Barton suggested that this matter be taken under consideration for the purpose of preparing a uniform bill. I could not suggest that that matter be referred to the Committee on Laws and Legislation, because I am Chairman of that committee, but I would like to have the name of this committee changed and then I would make a motion to refer it to that committee.

If it is proper at this time I, therefore, move that the name of the Committee on Expenses of Fire Insurance Companies be changed so as to be called the Committee on Rates, or something of that kind. I would include all companies in order to give this committee something to do.

Mr. Young: How would it do to make the name of the committee the Committee on Rates and Expenses of Fire Insurance Companies?

Mr. Palmer: As the present Chairman of the Committee on Acrology, I have always felt that that committee if called the Committee on Rates rather than Committee on Expenses would be able to present something to this Convention that would be interesting. Mr. Preus and I have considered this matter and have agreed that if the Convention could, under the Constitution, change

the name of that committee, either at this Convention or some other, we could get some interesting information. I support the motion of Mr. Preus.

The President: I take it that it would not be necessary to give any notice in order to take up this matter at a future session. The name of the committee now is the Committee on Expenses of Fire Insurance Companies. The proposition is to change that to the Committee on Rates of Insurance Companies. Is that correct?

Mr. Preus: Yes, that is correct.

Mr. Young: We have a Committee on Rates of Mortality and Interest.

The President: That is a different proposition, perhaps. Any discussion, gentlemen? If not, all those in favor of the motion will signify it by saying yes. Carried unanimously.

After all, this matter will come to the Committee on Laws and Regulation when the other committee is through. For your information, Mr. Preus, I would like to say that they introduced a bill in Illinois some two years ago, known as Senate Bill No. 61, along those lines, and we can obtain for your committee a copy of that measure if you desire. It failed of passage, but it covers about the same ground that the Auditor had in mind.

Mr. Schively: I have placed some literature on the table here from the cities of Seattle and Tacoma, and I wish each of you would, after the adjournment of the Convention, take copies of these. Now a number of members of the Convention have tickets returning home by way of Seattle and Portland, and I have discovered that some of you are going first to Portland and then to Seattle, and others are going first to Seattle and then to Portland. We have arranged for your entertainment in both Seattle and Tacoma, and it would be advisable for as many of you to go together as possibly can. (Applause.)

Mr. Done: **As a representative of one of these great Western States**, I object to Mr. Schively gobbling all the hospitality. I arise to a question of personal privilege for my State.

This is the sixty-fifth anniversary of the birth of the State of Utah. Sixty-five years ago the 24th of July a little band of one hundred and forty-three men and three women, which is rather out of the proportion that you usually associate men and women in Utah, entered the Salt Lake Valley. At that time Texas was in a process of transition from a dependency of Mexico to one of the great States of our Union, and the territory which now comprises such States as California, Utah and a large part of Colorado, was Mexico Territory.

We took possession of the little region immediately adjacent to Salt Lake City in the name of the United States government, and

when the race for gold occurred we gave refuge to the gold seekers in 1849.

Now, on behalf of that State, on behalf of its beautiful city, and on behalf of the people there who are as hospitable as the people of the State of Washington, and you know how hospitable they are, I extend to you a most cordial invitation to return to your homes by way of Salt Lake City and spend the day there getting a bath from the greatest inland sea in the world, and hearing the finest organ in the world, and stopping for a little while at the best hotel in the United States, and receiving my personal welcome, and official welcome and hospitality which I extend to you on behalf of the Governor and other officials of my State. I thank you. (Applause.)

Mr. Schively: I understand that some of the committees are contemplating meeting here this afternoon and not going to Liberty Lake. I wish to say that we have made arrangements so that you can hold your committee meetings there just as well as here, and I trust that all of you will take this trip this afternoon.

Mr. Palmer: Mr. Schively was not in when we rearranged the program, and I want to ask him if it will be arranged so that the Convention will be able to return to the city by 6 o'clock, because we will have an evening meeting at 7:30.

Mr. Schively: I will make arrangements for that if you desire.

Mr. Young: I have here a copy of **Best's Report**, showing the place and date of the last examination that has been made of each company. We have here the fire book and the life book, and any member of the Convention may come here and examine these books at any time and see the last time an examination was made of any company doing business in the United States. I will leave these books here on the desk so that you may look at them and see for yourselves.

Mr. Palmer: In order that it may properly be referred at this time and come before the Convention for later discussion if recommended by the committee, I desire to give notice of the introduction of a bill covering the subject of rebating, misrepresentation and twisting by agents.

The President: The bill will be referred to the Committee on Laws and Legislation.

Mr. Barton: I would like to ask for some information, as I have to leave before the Convention adjourns. I am interested in that bill and expect to put out a number of copies in our State and would like to hear a discussion of it if it is possible to arrange it.

Mr. Preus: I will say to the Commissioner from Nebraska that the Committee on Laws and Legislation had a meeting last night which resulted in the adoption of a motion that the chair appoint

a committee of three members, including himself, to take up the matter of the Kansas Blue Sky law and report. We hope to do that some time today.

The President: I shall appoint Colonel Young and Mr. Ekern as the two other members of that subcommittee, and we will try to meet sometime during today or tomorrow after the sessions here, and then will call a meeting of the Committee on Laws and Legislation to consider the report.

Mr. Barton: Does that include the stock selling schemes?

Mr. Preus: Yes, that is right.

The President: As has been indicated by Chairman Palmer, of the Executive Committee, there will be another session of the Convention here this evening, beginning at 7:30 o'clock. We have two topics before us: one by Colonel Young on the Fraternal Situation, and the other by Actuary Anderson, of Wisconsin, on the Valuation of Fraternal. These are very important matters and we owe it to these gentlemen to be here and hear what they have to say. The papers will be worth listening to in both cases, and the chair requests that we may all arrive at the meeting in proper time so as to hear these papers.

Mr. Ferguson offered the following resolution:

Resolved, That this Convention recommend the uniform adoption by the several States of a law prohibiting underwriters' agencies, or any other combination or association, from writing insurance except under the name of regularly admitted companies.

The President: Under the rules, the resolution will be referred to the Committee on Laws and Legislation. That is an important matter.

Mr. Ekern: I should like to ask whether this resolution was not intended by Mr. Ferguson to affect such practices as those of the New York Underwriters, and similar policy issues, and not the inter-insurers' proposition?

The President: As it is stated, it certainly covers inter-insurers.

Mr. Ferguson: We have a law in our State under which they can register additional titles. We desire to do away with that.

The President: Is there anything further to be brought before this session of the Convention?

Mr. Preus: Mr. President, just one moment. The Committee on Laws and Legislation, of which Hon. William T. Emmet, of New York, is a member, desires to know whether, in the absence of Mr. Emmet, Deputy Appleton ought to sign the report.

The President: I am under the impression that Mr. Appleton has the right to sign the report as the Deputy from New York.

Policy Loans May Be Deferred.

Mr. Preus: The Committee on Laws and Regulations makes the following report:

"The Committee on Laws and Legislation recommends the passage of a law in the various States substantially as follows:

Be it enacted by the Legislature of _____, On and after the first day of January, 1914, no policy of life insurance shall be issued by any domestic company or be issued or delivered within this State to any resident thereof by any foreign company, unless the same shall contain a provision as follows:

Section 1. A provision that any loan made to the insured upon the within policy may be deferred for not exceeding sixty days after the application therefor is made, except a loan made to pay the premiums on the policy.

Sec. 2. A provision that where the policy may be surrendered to the company for a specified cash value, the company may defer payment for not more than sixty days after the application therefor is made.

(Signed) J. A. O. Preus,
C. A. Palmer,
H. L. Ekern,
Burton Mansfield,
Frank H. Hardison,
Henry D. Appleton, Deputy, N. Y.;
Charles Johnson."

On motion duly made and seconded, the report of the committee was adopted.

The President: I think the standard provisions forms in most of the States contain a six months provision on this subject as relates to life insurance, do they not?

Mr. Hardison: The difference, I think, is this: that this bill requires that provision go into the policy giving the company the right to defer the payment of the cash surrender value or the making of a loan for a certain period, whereas the law to which you refer does not require any provision to be inserted in the policy.

The President: Leaves it with the company?

Mr. Hardison: Leaves it with the company.

Mr. Preus: I think nearly every State has a law which provides that an insurance company may insert in its policies a provision that it may defer the granting of a loan for six months, but that is not compulsory. The result has been that a number of insurance companies have replaced in their policies a provision which would give the assured the cash surrender value or a loan upon demand.

In the year 1907 there were sixty million dollars of loans granted by New York insurance companies within a period of ninety days. This bill provides that every policy issued by any company doing business in the State in which this law may be passed must provide in all of its policies that the company may defer the granting of a loan or the payment of the cash surrender value, except for the payment of a premium, for sixty days. The object of the bill is to tide over a period of possible panic so as not to cause a run on the insurance companies such as that on a bank. The savings banks have a safety clause of sixty or ninety days, and the insurance companies certainly ought to have some protection against panics.

The President: The provision is not "must defer," but "may defer."

Mr. Preus: "May"—yes.

The President: It is simply a proposition to place in policies that which is already provided for in a great many of the States?

Mr. Preus: Yes.

The President: Is it not true that that constitutes a part of the policy whether it is so stated in the policy or not?

Mr. Preus: In your State and in my State a company need not insert in its policies a statement that it reserves the privilege of deferring the granting of a policy loan. This bill requires that a company must provide in all its policies that it may take advantage of the sixty day safety clause if they so desire.

Adjourned to 7:30 this evening.

SECOND DAY—EVENING SESSION.

July 24, 1912, 8:40 P. M.

The President: I find that there are twenty Commissioners or representatives of departments present, and we will therefore proceed. The first subject on the program is a paper on **The Fraternal Situation**, by **Hon. J. R. Young**, of North Carolina. (Applause.)

(Mr. Young's paper is to be found commencing on page 185 of the Appendix.)

Discussion of Mr. Young's Paper.

The President: Any discussion, gentlemen, or questions, on this excellent paper of Colonel Young?

Mr. McMaster: Not so much in the way of a discussion of the paper, for I think the paper is complete in itself, but somewhat for the information of the members of the Convention, and especially for the information of the newer members, I don't think it would be amiss to relate my own experience in regard to fraternal organizations.

I don't know that the people of my State have any different ideas as to fraternal organizations than the people of other States. But I can say this, that when I became Insurance Commissioner they all practically looked alike to me—I didn't see much difference between the fraternal organizations and the insurance companies; and I didn't hesitate a minute, and frankly, gentlemen, I attribute it somewhat to ignorance, but I didn't hesitate a minute to deal very severely with those organizations which I found badly managed.

For instance, I remember one organization, the Columbian Woodmen, of Atlanta, Ga., which had a very forceful and a very aggressive man at its head, who prated very much about his hold on the old Confederate soldier, and who published pictures of a certain gentleman who was commander-in-chief of Confederate Veterans, which carries a great deal of weight. I found that that order, for instance, had been conducted by its provisional officers, that it had never had a general council, and I forthwith ruthlessly kicked it out of the State. It had in it a number of prominent men in the State.

There are one or two other orders that I might mention; the Heptasophs, for instance, for which I have a great deal of admiration. I think that its management is above the ordinary, but when I prepared to go in and make a valuation of the order it denied me the right and I just kicked it out of the State. They took me to the Supreme Court and the Supreme Court sustained me, and so I had no trouble.

I went in and made a valuation of the Woodmen of the World, very much against their will, and I have made valuations of the other fraternal organizations in the State. And I found regardless of these facts that those fraternal would come to me seeking admission, and say, "We have got five thousand members in this State," or "We have got thirty thousand members in this State," and I would say, "What t'ell has that got to do with this situation?" (Laughter.)

In other words, I don't think, gentlemen, that it made any difference when I came to the Legislature, if the Legislature knew that I was trying to do the honest and the square thing. I don't have any fear of what the Legislature is going to do in regard to my action concerning fraternal any more than concerning insurance companies.

Now, I want to go back a little bit. I was elected Insurance Commissioner in 1908. Don't understand that I am trying to assume the position of the Boy Wonder of the Mississippi, or anything of that sort, for I am just giving you my actual experience. I was elected in 1908. I took up what was then known as the

Tentative Bill. I found that that was endorsed by the Associated Fraternities and by the National Fraternal Congress, and that it provided for adequate rates, and I introduced that bill. Some of the members of the Legislature who are my particular friends very soon came to me, and said: "McMaster, we are getting a lot of letters from all over the State, saying that you are trying to increase the rates of the fraternal orders." "Well," I said, "that is true, but I can't understand why these fraternalists are writing these letters. I have simply introduced a bill which has been indorsed by the great fraternal organizations of the country." I said to them, "You do this for me." I said, "You just hold up that bill." So during the next year I gave a good deal of study to the situation, and I must confess I got the greatest amount of information. Well, I said the next year, "No more adequate rates for me." I said, "I am going to introduce a bill which will provide that they shall not increase rates." I said, "I am going to protect my people now against the increase in rates; that is what I am going to do."

Well, it didn't take very long for the societies that were in that State to come in and ask to be exempted from the provisions of that bill. Well, I concluded that it would be best to exempt them from the provisions of that bill, so I did exempt them from the provisions of that bill. But every other fraternal society that applies to the Insurance Commissioner of South Carolina since that date has got to present a certificate that after admission they will not increase rates.

Now, I must confess, that I have sometimes felt that I was not presenting the situation clearly to the people. But I have been absolutely honest, and I am not going to admit any society that is not able to guarantee that it won't increase rates. I just give you that point, and I believe that every one of you that have passed this Mobile Bill can go to your Legislatures and say, "I want to pass a bill that will protect my people from an increase in rates," and I believe you can get it through, and that will, at least, protect your State from further inroads from societies on inadequate rates and will protect those societies which are already admitted in your State.

Mr. Young: Mr. President, I referred in my paper to the fact that I have a record of what has been done by the various societies in the matter of adopting adequate rates. I have a list of them here, and if any of you gentlemen are interested in any particular society that belongs to the National Fraternal Congress or the Associated Fraternities you can take that list and see what they have done and how they are operating.

The President: Commissioner Young advises me that he has had several hundred copies of his address printed and that he will be able to furnish a copy to any Commissioner who desires it.

Mr. Young: I have had them printed at home and some will be sent to each department.

Mr. Clayton: I would like to ask, if we have the information at hand, just how many States have adopted the Mobile Bill since it was framed up at Mobile?

Mr. Young: I think it has been adopted in fifteen or sixteen States.

The President: That is, with some slight modifications here and there.

Mr. Young: In those States where the bill has been passed with modifications it has not been hurt. I think, rather, in most cases, they have improved the bill.

Mr. Clayton: We secured the passage of the Mobile Bill through the Colorado Legislature without a single change of any kind or character. We believed that the people who had passed upon this bill and who had framed this bill probably knew better what they were doing than the individual members of the Legislature could know, or some of the fraternalists that had suggested some changes, and we thought as a starter that we would absolutely hew to the line without any modification or change at all. Of course, there were a great many changes sought. Every little society that had some axe to grind would ask for some modification, and they would want some exemption the same as Commissioner McMaster spoke of, but we asked the members of the committee to pass the bill as it came from the Mobile meeting, and then as time went on we could find out what changes were necessary after sufficient study and careful observation and we could then amend it.

Mr. Darst: I would like to ask whether the State managers of the societies were for the bill or against it?

Mr. Clayton: They were for the bill.

Mr. Darst: Most of the fraternal orders in West Virginia were lined up against it. On one occasion I had just received a letter from one of the great companies in favor of the bill, and when I went back to my office to my great surprise I found that their State manager was on the ground doing everything in his power to defeat the bill. I sat down and dictated a letter to the company, telling them that their man was on the ground fighting the Mobile Bill. I noticed a stranger there while I was dictating, and he asked me if I was going to send that dispatch, and I told him I was. I then asked him if he was a representative of the company, and he said he was. I am glad to say in all fairness to this fraternal society that in less than an hour I got a return, stating that they

had instructed their State manager to keep his hands off as they were in earnest about passing the bill. I think, however, that the State managers of my State from this time on will be in favor of the bill, but I think it is practically impossible to pass a bill unless you can get the State managers who are in touch with all the different orders in the State, and who have in the Legislature of our State great influence with a majority of the members, to support the bill. They can defeat any bill they care to.

Mr. Done: The Commissioners may be interested in a little personal experience I had in my State when this bill came up and was passed. The members of the Legislature and many of the fraternal leaders, did not understand it, not having been fully informed by the presidents or head officers of the organizations what the purpose of the bill was, and I remember a rather amusing incident that occurred before the House Committee on Insurance. I went in to appear before the committee for the purpose of discussing the bill, and a number of the fraternalists had been invited to come in and participate in the discussion. I remember one bombastic sort of a fellow that came in, and, unlike Commissioner McMaster, he had had some insurance experience and had been a somewhat active representative of one of the old line companies. This man came in and in his opposition to the bill paid me this compliment:

He said: "Here is Mr. Done coming before this body pretending a desire to protect the interests of fraternalists. Why," he said, "I would as soon think of a hen intrusting her innocent chickens to the tender mercies and protection of a fox as to think of such a thing." (Laughter.)

I thanked him for the compliment, and told him that I thought he would change his mind if he could see the communications which I had received from some of the leading fraternities. And I wish to speak in this connection, and express my very great appreciation of the manner in which we have been aided by some of these men, and I want to speak particularly of Mr. C. E. Piper for the great work that he has done on behalf of this bill. From him and others there have come letters to me which I wish I could show to this Convention. Well, I had the satisfaction of having my friend appear before that committee and apologize for his offensive remarks against me and do everything in his power to advance the interests of what he has now come to regard as their bill, formulated for their protection, and not my bill.

The President: If there are no further remarks, the next topic on the program is a paper on **The Valuation of Fraternalists**, by Mr. Anderson, Actuary of the Wisconsin department.

Mr. Anderson: I fear that after listening to the excellent address of Commissioner Young you will find my paper rather dry. I have

endeavored, however, to get away, to some extent, at least, from the dry, mathematical formulae, and discuss, to some extent, other questions which I feel are directly connected with the question of valuation. The connection may not be very clear to you in all cases, probably because I have been compelled to cut it short in many places so as to avoid making it too long. If it lacks clearness in any vital part, I shall be very glad to answer questions and explain more fully any of the obscure points.

(Mr. Anderson's paper will be found beginning on page 197 of the Appendix.)

Discussion of Mr. Anderson's Paper.

Mr. Anderson: I didn't know but possibly some of you would see, as I did, that there may be an apparent conflict between some of the things that Commissioner Young said and what I have said. In one place in his paper he said that it would not do to allow old rates to continue. I heartily agree with that under certain conditions, namely, that if the valuation is made in gross of the entire society, then I think that is true. I just wanted to say that there is not any real conflict between the two papers. I thoroughly endorse everything that Mr. Young has said.

The President: Any questions, gentlemen?

Mr. Ekern: Before leaving this subject I want to ask that a meeting of the Committee on Fraternal be held sometime tomorrow. I have some resolutions that I wish to offer in this connection.

Mr. Bleakly: It is my intention to call that committee together sometime tomorrow, at whatever time seems most advisable, probably immediately after the adjournment of the morning session. I will make the announcement tomorrow morning.

Mr. Young: I just want to say that I have the list here that I referred to. This gives the information as to what has been done by each society. I don't care to publish it, but if you gentlemen are interested in it, or in any particular society, you may come and look at these papers.

Mr. McCoy: Regarding the Committee on Assets of Insurance Companies, I find that there are only four members of that committee present. I would like to have a meeting for an open discussion of special deposits by insurance companies in the States in which they operate. I would like to call that meeting for tomorrow morning sometime. I suggest that the President appoint some other Commissioners to act on that committee temporarily.

The President: Commissioner McCoy, of Montana, the ranking member present of the Committee on Assets of Insurance Companies, asks that in the absence of a number of the members of

that committee the chair appoint other Commissioners to serve temporarily. In accordance with this request I will ask Commissioner Hardison, of Massachusetts; Deputy Superintendent Appleton, of New York; Commissioner Johnson, of Pennsylvania; Commissioner Mansfield, of Connecticut, and Commissioner Palmer, of Michigan, to act with Mr. McCoy and the other members present upon that committee for this particular session. When will your committee meet, Commissioner McCoy?

Mr. McCoy: I would like to have it called tomorrow morning sometime after the morning session. I will make announcement at the close of the session tomorrow.

The President: Any committees ready to report?

Mr. Palmer: We had a meeting of the Committee on Permanent Location of a Central Bureau this afternoon, and practically agreed upon a report. Since then I, as Chairman of the committee, have been requested by a Commissioner present to defer making that report until he has had an opportunity to submit a proposition to the committee, and with the consent of the Convention I should like the privilege of deferring that report until tomorrow morning.

The President: That will be satisfactory.

Mr. Palmer (after conference with Commissioner Ekern): I evidently had the wrong impression from the request of Commissioner Ekern, and I will therefore ask the Secretary to read the report of the Committee on Permanent Location and Secretary in order that the Convention may take up the matter and dispose of it at this session, if it so desires.

The Secretary thereupon read the report referred to, as follows:

"The Committee on Permanent Location and Secretary reports that the establishment of a central bureau is inadvisable at this time.

And recommends as a substitute therefor that the Committee on Examinations be authorized to **expend a sum not exceeding one thousand dollars annually** to defray the expenses of all work done by the Committee on Examinations, including supplying to each Commissioner a copy of reports of all committee examinations.

(Signed) C. A. Palmer, Chairman;
Fred W. Potter, President;
Frank H. Hardison, Vice President;
James R. Young,
Chm. Committee on Examinations;
F. H. McMaster, Secretary."

Mr. Palmer: I move the adoption of the report of the committee.

The President: Will Commissioner Palmer explain to the members present the exact situation? This committee was appointed at

Chicago in April and quite a number of the Commissioners were not present.

Mr. Palmer: Mr. President, and Gentlemen of the Convention: At the adjourned meeting of this Convention, held at Chicago in April, a suggestion was submitted to the Convention for the creation of a central bureau and the appointment of a permanent secretary for the conduct of the affairs of the organization. My understanding of the proposition was that this central bureau should act as a distributing agency for the purpose of supplying all the Commissioners with copies of reports of examinations made, with the rulings of departments, and work along the same lines that this Convention has worked on regarding uniformity in the different States. Secretary McMaster addressed a letter to all of the Commissioners in this country, asking for their views upon the proposition. The letters, on the whole, favor the proposition, but raises the question as to the financial support, and I suppose it is apparent to every man that such an undertaking would involve the expenditure of a large sum of money.

The committee, in discussing it this afternoon, reached the conclusion that this Convention was not in a position to raise a sufficient sum of money to conduct such a central bureau, neither was it thought by the committee, nor by several of the Commissioners who replied to Secretary McMaster's letter, that the plan was a proper plan. Some of the Commissioners, including both members of the committee and those who replied to the letters, felt that it would result somewhat in a usurpation of the work of this Convention, so that committee recommends a substitute to this Convention, and it may not be out of place to explain that.

Commissioner Young, as Chairman of the Committee on Examinations, has had charge of that work for a number of years and has taken care entirely of the expenses connected therewith; that is, the employment of stenographers, the keeping of filing cases, the expense of telegrams, telephones, printing of reports, and so forth, which he estimates amounts annually to the sum of at least five hundred dollars. So the committee today, after discussing the matter fully, decided to make the report that Secretary McMaster has read, believing that that is as far as this Convention should go at this time along the line suggested.

The President: Now, gentlemen, you have heard the report of the committee, together with Chairman Palmer's explanation.

Mr. Palmer: Mr. President, I know that there is a feeling on the part of a great many Commissioners that the committee in the past should have furnished reports of examinations made to every State, so that we would at all times be informed of the action of this committee and have in our possession reports of the examina-

tions made by it, so that if a company examined is doing business in our State we would have an opportunity to avail ourselves of these examinations. So we have included in this resolution a provision that the committee shall furnish to every Commissioner a copy of the report of every examination made by the Committee on Examinations.

The motion of Mr. Palmer, that the report of the committee be adopted, was duly seconded and unanimously adopted.

The President: Are there any further reports of committees?

Mr. Palmer: I would like to ask whether it is necessary that a motion be made now authorizing the Committee on Examinations to draw on the Treasurer for that sum of money?

The President: I am inclined to think that the adoption of the committee's report carries with it the appropriation.

Mr. Palmer: Before we adjourn I would like to present **an amendment to the Constitution providing for the election of a second Vice President** in order that it may be presented at this Convention and taken up later for discussion or adoption.

The President: Is it your idea, Commissioner Palmer, that that could be considered at this particular meeting?

Mr. Palmer: That will come up when we reach the question of passing the amendment. I understand that there is a precedent in this Convention for such action—that there is a precedent established that **at a meeting of the Convention subsequent to the meeting at which the amendment is proposed action may be taken regarding the adoption of a constitutional amendment**, and I therefore make the motion tonight so that at a subsequent session the amendment may be brought up for adoption.

Mr. Mansfield: **I have been very much impressed**, in getting out our annual reports of the department, with their immense size, and it has occurred to me that it might be possible for the various departments to come to some understanding whereby there might be a reduction both in the amount of material used and the cost of getting out these reports. It seems to me entirely unnecessary for the welfare of the people, whose interests we are supposed to have at heart, that the States should publish all the details, and particularly the security schedules and some other details, which we do. I don't know as there is any remedy, but it strikes me that it might be wise to consider it.

I would like to offer a resolution and ask that it be sent to the Executive Committee for consideration, although not necessarily reported upon at this Convention. Or perhaps some one may be able to make some suggestion along the line of saving space and saving money. With your permission, therefore, I will offer the following resolution:

"Whereas, The printing of the annual reports of the insurance companies and fraternal societies doing business in the several States under the supervision of the Insurance Departments for such States works much repetition and expense which, so far as many of the schedules and much of the information therein contained is concerned, may not be absolutely necessary for the welfare and protection of the people;

Be it resolved, That the Executive Committee be requested to consider the feasibility of reporting some plan by which such repetition and expense may be prevented or, to a measurable degree, avoided."

The President: You refer to the statements made by the companies?

Mr. Mansfield: Yes. See if there can be a way found by which there will not be so many reports made of the same thing.

The President: Permit me to suggest that it be referred to the Committee on Blanks.

Mr. Mansfield: It does not involve anything but the printing of the annual reports, which several of the departments do after the blanks are prepared and sent in. A large part of the report is very formal and is seldom looked at and the printing of it involves an enormous expense and is a repetition every year. I simply want to see if there is anything that can be done to bring about a remedy.

The President: It will be referred to the Executive Committee.

Mr. Ferguson: I would like to state that this year, in getting out the annual report for our own department, I tabulated all the foreign companies and abstracted the domestic companies. I believe that if each State would do that it would save a great deal of its printing expense. I reduced my annual report from two hundred and thirty pages last year to eighty-nine pages this year and saved about eight hundred dollars in printing.

Mr. Young: There is this trouble about it. The citizens in my State and in your State probably get the annual report from their own department. They cannot get the reports from other departments and quite a number of them wish the full reports. I believe it would be a great saving, but don't see how it could be brought about.

Mr. Mansfield: I don't see how it could be done, but it seems to me that it is a matter that we might solve after due consideration.

Mr. Palmer: I think that we can probably get through with all of our work tomorrow by meeting at 10 o'clock, and I move that this Convention adjourn to 10 o'clock tomorrow morning, and that we have a meeting of the Executive Committee at 9 o'clock.

Motion duly seconded and adopted.

Adjourned to 10 o'clock tomorrow morning.

THIRD DAY.

Thursday, July 25, 1912, 10:20 A. M.

The President: Another State is represented here this morning, namely, the State of Kentucky, by Mr. J. F. Vansant, Deputy Commissioner.

I have a letter here from Commissioner Henry, of Mississippi, which I will ask the Secretary to read.

The letter of Commissioner Henry expressed regrets for his absence, which was caused by sickness in his family.

The President: **Gentlemen, this has been called "Conservation Day,"** and the first topic for consideration this morning is "Publicity and Education," by one well qualified to discuss that subject—Commissioner Done, of Utah. I have pleasure in introducing to you Commissioner Done. (Applause.)

Mr. Done: Mr. President and Gentlemen of the Convention: I perhaps ought to say before proceeding to read my paper that I found after commencing the consideration of this subject that it was very broad, and that it has become necessary to adopt as my subject just one branch of the topic assigned, and I am going to confine my paper today to the subject of Insurance Education, leaving the matter of Conservation, and perhaps some other elements of Publicity, to those who will follow me with papers and to the general discussion. I submitted my paper to a friend in Utah and asked him if he didn't think it was an exhaustive discussion of the subject of Insurance Education. He said, "Yes, it is very exhausting." Just what he meant by that of course I don't know. (Laughter and applause.)

I am simply going to skim the ground just as we used to drag the ground in getting the brush off of it, and am not going to cultivate it just now. I hope that I won't harrow up your feelings. (Laughter.)

(Commissioner Done's paper will be found commencing on page 206 of the Appendix.)

Discussion of Mr. Done's Paper.

Mr. Done: Now, you may say that I have mapped out a big program, and that it would be worth while if it was not so difficult. I hope, however, that you won't take the hopeless view that the fellow took in the story that I will relate to you in conclusion:

Two men were walking along, one of whom had just buried his mother-in-law, and they were talking about the sad affair, and the man who had lost his mother-in-law seemed to be all cut up. He said to the other, "My friend, it is awful hard to lose your mother-

in-law." The other man said, "Yes, I know it is; it is not only hard, but it is almost impossible."

The President: I would like to inquire of Commissioner Done how many copies of his address he has for distribution.

Mr. Done: I think there are just about enough to go around this present assembly, Mr. President. If not, I have a few more copies at home.

The President: Gentlemen, I feel that you will all agree with me when I say that there is no more important matter or topic before this Convention than the one that has been so ably handled by the Commissioner from Utah. We all know from the nature of the correspondence that comes to our departments which we reply to in the ordinary course of business, how great the ignorance of the public is in reference to insurance matters. And that ignorance is not confined to those who are illiterate, but extends, perhaps, to men whose achievements are worthy of note along other lines. They seem to know about everything but the matter of insurance. We who appear before the legislative committees or the general assemblies of our States also realize what we have to contend with with those members before we can get any legislation worth while put through. It is a matter of education, very largely, before anything can be done. The Commissioner has started something here this morning that we ought to handle, that we ought to discuss freely, and the opportunity is now open for discussion. Any remarks or any questions from anybody on the matter of Insurance Education?

Mr. Anderson: Mr. President, the subject has been so ably and so thoroughly handled that it may seem very hard to get hold of anything that has not been discussed already. But there is one phase, especially, that appeals to me, for the reason, among others, that during the past year I was sort of roped in to do some of this work at the University of Wisconsin. And it would do your heart good to see the interest the young people are taking in this subject. It came to me as a surprise and unexpectedly. I had a class of forty-nine students. We didn't aim to take up any particular feature, but rather to treat the principles of insurance in a general way and make a survey of the entire field. Among other things, I assigned topics to be worked up—to be written up—to the extent of one thousand or two thousand words, or the equivalent in statistical matter. Among other topics were such subjects as Hail Insurance, Wind-storm Insurance, Conservation, Medical Sciences, Accounting, Workmen's Insurance, and a few others.

Now, it seems to me that it is important to begin this work right. There is one thing that I had felt for many years has been entirely wrong, or that has been responsible for a great deal of wrong,

and that is the willingness on the part of men prominent in business and in the professions to lend their good name and reputation to back up some uncertain ambitious scheme. It seems to me that in beginning this work we shall have to do very much the same as we do when we dig a well—begin at the top. If you can get hold of the men who are to become prominent in business and in the professions, that is those who are able to obtain a college education, get their minds thoroughly imbued with sound principles and teach them how to recognize the vicious and the faulty and the unsound, you are beginning right, and that information is going to percolate down through to the lower classes.

I think of one particular case where the judge of one of our courts is vice president of a concern that has been operating on a plan that a great many of our good people simply swear by. I simply want to point out to you the utter fallacy of the scheme. It is something like this: They will write a policy, nominally for one thousand dollars. In case of death they will pay seven hundred dollars and return to the beneficiary all assessments paid. Now, they say that the difference between the amount paid to the beneficiary and the one thousand dollars is paid into the reserve fund, which, in time, will make good the amount paid to the beneficiary. Then they go on to say that the first death in their society is a case in point. The member had paid one quarterly assessment of three dollars. The amount paid to the beneficiary, therefore, was \$703, and the amount put into the reserve fund was \$297, which they say is a loan at five per cent. interest and will bring in more money than the man would have paid if he had lived. The natural conclusion is that they are better off because the man died. Now, if they are better off financially if one man died, they would surely be better off if two died, and if they all died at once they would have a house full of money.

Now, where is the nigger in the woodpile? One of our best judges is vice president of that concern. Other concerns have copied the plan because, apparently, they were successful. They have accumulated between two and three million dollars and have some thirty-odd thousand members, including prominent men all over the State, business men, doctors and lawyers, who swear by the scheme.

It seems to me that the way to begin this work is to begin at the top and get hold of the men who are prominent in the daily walks of life, and get them to recognize sound principles and to avoid fallacies of that kind, and the information they get will gradually work down through to the lower classes and they will not be led into these schemes by accepting the assurances of those who are supposed to know, but who do not really know.

Mr. Brumbaugh: May I say just a word as to how this information may be gotten before the public? I think that is the essential thought in the desire expressed by the gentleman who read this most excellent paper. The gentleman who has just spoken suggested the thought. I think that the Superintendent of Insurance in every State ought to suggest to his State University, not only the advisability but the absolute necessity and need of a course of study along these lines. How much better it would be if our universities would follow the example that Harvard set years ago. Up to that time everything had been subordinated to the languages, such as Sanscrit, Greek and Latin. I say, how much better it would be if a year should be dropped from the dead languages and given to this very topic and other topics like it! How much better it would be!

I think that each State Commissioner should have a heart to heart talk with the president of his State University and show him not only the desirability, but the absolute necessity of the State meeting the conditions and needs of the practical age in which we live; and not have a curriculum based upon the theories and hobbies of the past, and the far distant past in many cases.

Another thought, to bring it down to the locality. The gentleman referred to the fact that we are continually going back to our old professions. I had the good fortune to be a country school teacher in my early life, and I hit upon the plan. Every Friday afternoon an hour was given over to an address, for which I invited local talent, a doctor, preacher, or lawyer, or probate judge. The doctor told the children in the high school how to properly protect and use their eyes in their studies; the probate judge informed them about wills, contracts, etc., and so on. I used local talent. Now, this would be legitimate. Insurance agents are great advertisers. Why not suggest that to your local school board?

Mr. Darst: I have found in West Virginia a remarkable ignorance on the part of the people generally as to the function of the Insurance Department. They seem to know very little about the reason why the Insurance Department is maintained by the government. I sent out a circular all over the State, asking the people of the State if they had any trouble about their insurance or the collection of insurance claims, and told them if they wanted any information along those lines that our department was maintained at Charleston not only to protect the insurance companies, but to see that they were dealing fairly with the people of the entire State.

In response to that circular sent out thousands of letters came into our department and we were kept busy for weeks. We found a most serious state of affairs in many of the isolated counties of

our State where men had taken insurance in accident and health companies where they had claims against companies and the companies had actually refused to pay any attention to them whatever. Our department got busy and I want to say that we have collected thousands of dollars in the last three years for the people in those isolated places who had claims. Now our people have begun to wake up and have begun to realize that they have got a department that they can come to with their troubles of this kind. We started to issue a bulletin, which we have done for over three years. Now, when that bulletin was first issued we said in it that if anyone wanted to have their name placed on the bulletin list they should send us their names and addresses. As a result, that list has grown and grown, and the people all over my State are receiving this information and our list has grown to over five thousand names.

Now, we endeavor in that list to call white white and black black, although I have at all times tried to be fair to the companies. The people want this information relative to insurance and they are receiving it gladly, and I have letters in my department each week from all over the State asking if such and such a company is all right; and so it is in stock selling. So it is in all these stocks that are being offered to the people all over my State. Before they buy any stocks that are being offered in my State it is getting so that the people will write to the department and ask what we know about it. I say, and I believe, that a great work of education can be carried on in that way if the departments will take these matters up and give the people the news and show what they are doing. The people of our State appreciate the Insurance Department more and more and they know what it is being maintained for. (Applause.)

The President: To illustrate what has been said about ignorance in high places concerning insurance matters, I well remember that about two years ago the general agent of the Northwestern Mutual Life Insurance Company at East St. Louis, in my State, held a little agents' convention, as was his custom, and the agents talked over agency matters for two or three days and the thing wound up with a banquet. I was invited down, and I found that the Chief Justice of the State of Illinois was a guest, a man whom I knew very well. He was called upon to say something during the course of the evening, and this is what he said: "I cannot understand, and have never been able to understand (although he had been on the bench for two or three consecutive terms), why life insurance companies need to collect so much money. I cannot understand and have never been able to understand why it is necessary that these enormous reserves should be collected by the company and held by

the company; why the people cannot keep these funds in their own pockets and still have the company carry out their contracts."

Well, the insurance men all looked around. Imagine such a statement coming from a Supreme Court Judge, and yet it is not astonishing because the average man knows but little about this particular matter and this particular work in which we are engaged.

Mr. Anderson spoke of university work. About a year ago, if you will pardon a reference to a personal matter, the department of the State of Illinois went under the civil service, with the exception of the Commissioner. All the help—we have about twenty-five in the department—all the clerks and the actuary went under the civil service. After the civil service had been in effect for a while I had a talk with the secretary of the commission, and I said to him, "Suppose vacancies occur in some of these places, how are you going to fill them? Suppose I should need an assistant or an actuary, where are you going to find them for me?" He said to me, "What do you mean? Aren't there plenty of men who can do that kind of work?" I said, "I don't know where they are; that I needed an actuary for ten months and had hunted all over the country without finding one." He said, "Is it possible that there are not men training for that kind of work?" I said, "It is not only possible, but it is the fact." Here is a State University, a very large institution, but with no course of that kind; not one line. We took the matter up with the president of the State University, and the result is that they are putting up a \$250,000 building just now to teach, among other things, this particular line of work, and they are not waiting until the building is completed, but have already put in a course of this kind, and the professors and students frequently refer matters to the department for solution that they cannot agree upon, and from some of the problems that come from that school we are confident that they are in pretty deep water part of the time at least.

Now, that is one way of beginning at the top, but that is not the only way. I expect to go to the State Superintendent of Public Instruction to talk this matter over with him as to how it can be handled in the elementary schools. I am inclined to think that we should have textbooks for use in these district schools to begin with the youngsters in the last year of the grammar schools or the seventh or eighth year in the district schools giving them some ideas along the lines of insurance. They will all be insurance buyers. These life insurance and fire insurance men are out in the world to see that they will be insurance buyers, and if they ought to be educated in anything, it should be in that particular line of work. We ought to teach it not only in the universities, but in

the district schools and work from both ends, Brother Anderson. That is my judgment about that matter.

Now, another word: The companies are fully alert to this proposition. Look at what the Equitable is doing along the line of conservation work. I see before me Commissioner Rittenhouse, who is at the head of that particular line of work in his company. They are sending out literature teaching their people how to live, or rather how to keep from dying. That is the economic side of the situation.

Then there is the humane side of it. See what the Metropolitan is doing. They are getting out a little book called the "Child," which is edited by Doctor Frankel. I sent for half a dozen copies of it. That is a wonderful little book. That goes among their thousands of industrial policyholders and I want to advise the Commissioners who have not seen that work that they ought to send and get it and see what that company is doing. Thousands of lives of children will be saved this summer among the uneducated and poorer classes of people by the Metropolitan's little textbook showing how to keep the children well. So this work has begun, and it is up to us to push it along from every conceivable standpoint.

Is there anything further to suggest? Aren't you making preparation for a textbook of some kind, Commissioner (addressing Commissioner Done)? You might as well tell us. No use being too modest.

Mr. Done: My greatest weakness is my modesty. I will say, in answer to our President's question, that two months ago in a conference with some of the underwriters in our State, the suggestion was made that it would be a good idea if instruction in, say, the eighth grade of the public schools and in the four years' course of the high school could be given to the children in some of the fundamentals of insurance, conservation, etc. I fear you will think, by the way, that I ought to have included the subject of Conservation in my paper, but there was not room. It was suggested that fire waste, the prevention of fires, together with a simple treatment of the easiest principles of insurance be included. I grappled with the idea and they were kind enough to tell me that I was competent to prepare such a textbook—I got them partly hypnotized—and I told them I would be glad to do it, and I am at work on it now. I have taken the liberty of writing to the various Commissioners asking them to give me their experience, and the life underwriters have been very kind. I have written to you gentlemen with reference to the subject, and when I left home I think nearly thirty of the Commissioners had sent word back to me not only encouraging

the movement, but in every way commending it and urging it forward.

Now, gentlemen, the matter is just in its beginning, but I am going to crowd it forward, and as I am asked to say something on this subject, I will announce to you that before very long I hope the textbook will be ready. I am not going to confine it to a treatment of the fundamentals of insurance, but I am going to ask a number of experts in different lines of insurance to prepare several chapters on the technical points, and six or eight or ten of these chapters will be added as an addenda to the book for the advantage of those who desire at a later time to go more deeply into the subject. I thank you.

The President: **The next subject for our consideration is the Conservation of Fire Waste, by Auditor McCoy, of Montana.** I have pleasure in introducing Auditor McCoy to you. (Applause.)

Mr. McCoy: I might say that the weak condition of my voice dates back to the time when I met the Commissioners in Montana and I suppose it will continue until I leave tomorrow morning. At the time this topic was assigned to me in Chicago I thought I had a very easy subject to write on, but as I looked up information concerning it I found that the various addresses which had been made regarding it were largely a repetition. So I wanted to get something that you had not heard before, and have endeavored to set forth a few of my ideas.

(Mr. McCoy's paper will be found commencing on page 218 of the Appendix.)

Discussion of Mr. McCoy's Paper.

The President: Gentlemen, we are ready for a discussion of this excellent paper. Are there any remarks?

Mr. Done: Mr. President, in order to start the ball rolling, I desire to state that the morning I left home I read in one of the leading newspapers of the city in which I live a statement from the fire department of the city to the effect that the net loss in that city through fires, if I remember correctly, amounted to about \$250 per fire during a certain period of time. That is, \$250 represented the difference between the total loss and the amount of insurance carried on that loss. This illustrates the fact that we need to impress these splendid ideas of Commissioner McCoy upon all the people, and to impress upon the fire departments that it is their duty not only to put out fires so as to reduce the loss, but also to prevent fires. The people should not be misled into believing that the only loss is that not covered by insurance. I commend the paper.

Mr. Darst: This has been one of the burning questions in my State. Ten years ago I was impressed with this fact and I prepared a valued policy law in that State, and although it incurred great opposition, it became a law. I am here to say that the valued policy bill is a failure. I have very strong convictions along that line, and I will say that if the bill had a fair chance it would be a success.

Now, I agree with what has been said in this paper. In my State I am trying to prevent fires. As ex officio Fire Insurance Commissioner I have three deputies, and it is not only their business to convict those who commit arson, but it is their business to make investigations in order to prevent fires.

If we could find some method of preventing fire insurance agents from making bids for men to commit arson, or by overinsuring their property and thus placing themselves under temptation to commit a crime, it would be a good work. In my State I venture to state that one-fifth of the fires are caused by incendiarism, and when we trace it up nine times out of ten the fire insurance agent is responsible for overinsuring the property to such an extent that if a man is dishonest he will set fire to his property thinking he will get the face of the policy in case of total loss.

Now, I have thought that as Insurance Commissioner I would offer a bill and see if the Legislature would not give me power, when I found out after an investigation that an insurance agent had deliberately and knowingly overinsured property, to revoke his license. Something must be done to stop this; and I think that if this Convention could arrive at any practical plan that will keep fire insurance agents from overinsuring property, it would have taken a long step in the way of prevention of fire waste. I hope that something will develop along this line. (Applause.)

Mr. Done: We must get at this matter, probably, by piecemeal, and I have a resolution here which I desire to present for your consideration and adoption, believing that it will not need to be referred to a committee, although if that is your pleasure it will be all right for you to do so, so far as I am concerned. I have here a model statute and also a model ordinance, and I am pleased to state that they have both been prepared by our honorable ex-President, Joseph Button, of Virginia, on the subject of the parlor match. The resolution that I wish to present with reference to this matter is as follows:

"Whereas, Fires due to the more hazardous forms of matches, as well as to carelessness in the use of all forms, have been responsible for a considerable part of the fire waste, as well as for numerous accidents and fatalities; and,

Whereas, Largely through the influence of our Association, the Hon. Joseph Button, of Virginia, a model measure has been prepared absolutely prohibiting the parlor match and other criminal forms, and properly regulating the manufacture, storage, handling and sale of the approved forms; therefore,

Be it resolved, That the National Convention of Insurance Commissioners hereby endorses the measure at first known as the Virginia Match Bill, as amended by the National Fire Protective Association, approved by the National Board of Fire Underwriters, and recently adopted in Louisiana, and recommends its adoption by the various Legislatures in the interest of the conservation of life, health and property; and,

Be it further resolved, That this Convention also endorse the movement inaugurated this month by the Fire Marshals' Association of North America looking to the drafting of a model fire marshal law."

As I desire to move the adoption of this resolution, I will say a word or two upon it now.

The proposed measures have had the endorsement of the National Fire Protective Association and the National Board of Fire Underwriters. Other endorsements are being received. It is being enacted in some of the States. I think it very desirable, indeed, that such legislation be enacted here as it has been in some of the European countries. We spend our time building these magnificent structures, and then some man comes along and throws a match down on the floor, someone else steps on it, and the place goes up in flames. Perhaps you have heard the story of the Frenchman who, upon stepping upon one of these things, exclaimed, "Ah! zat es what is called ze whole shooting match, es it not?" Perhaps a lady may step upon one of them and she shortly becomes an incinerated corpse.

Let us throw out the nuisance; that little, almost neglected but not negligible instrument; that little thing that we carry around with us and throw away after we have used it, or perhaps before we have used it all, so that it may strike anywhere and light anywhere and blaze up and set fire to our property that we have built up by painstaking care. Let us get rid of that if we can. I move the adoption of this resolution by this Convention.

The President: This question probably belongs to the Fire Marshals' Association rather than to our own, but inasmuch as many of our officials are ex officio fire marshals, it has a place here.

My observation is that the first qualification a fire marshal should possess is not, perhaps, the ability to fight fires, but to bring criminals to the bar for the crime of arson. Another very important qualification is the ability to get out and speak well. In

our State, after a number of years, we succeeded in getting a bill through the Legislature to establish a Fire Marshals' Department, and the Governor appointed an Irish gentleman named Doyle, who had the happy faculty of speaking well and making himself understood. During the time when he was in office—he is Secretary of State now—he went up and down through the State and talked to the different chambers of commerce and commercial associations in the different cities. He had more invitations than he could fill. He would get these men together, and they would come gladly in great numbers, at noonday luncheons and affairs of that kind, and he would talk to them about the opportunities they had of reducing fire waste, and how they could do it. He aroused there a strong sentiment to prevent fire. His work was good. He also did this. He enlisted a great many of the traveling men. Our law permits him to name a traveling fireman employed by the companies as deputy, and they would have a clean-up day. They would go to a certain town on a certain day and they would inspect the city and look over the buildings, and they would show the property owners where they could improve their property in such a way as to reduce the fire waste and consequently their fire tax. I think that is one good way of going at this sort of thing. I was born on the other side. Of course all of us could not be. But I was lucky enough to be born on the other side like a number of others. I was eighteen years old before I saw what the boys call a "good fire," before I saw a large fire, and I saw that on this side. In other words, during all the time up to my young manhood I never saw in the little city in which I lived on the other side a fire that was worth talking about. We people say that we are the most enlightened people on earth. Other peoples may differ with us with reference to that, but we say that very frequently, and that being the case we ought to have as much judgment as some of the unenlightened people on the other side with reference to the fighting of fire. What they can do over there we surely ought to be able to do over here. They begin at home with the youngsters. I remember well that matches are never kept where children can reach them over there. Any match over there is a criminal match, and there is great care taken by all the people with all the people with reference to this question of fire fighting. I think it is due to carelessness on this side, very largely. There is a great work to be done here. We complain that the companies' charges for fire insurance are too much, instead of looking at home and keeping the fires down. It is largely our own fault.

Mr. Young: Mr. President.

The President: Mr. Young is fire marshal of his own State, and one of the best.

Mr. Young: I agree with you that there is no more important matter for our consideration and discussion than the subject of fire waste. If I may be pardoned for just a minute or two I would like to say that after an experience of twenty-six years as an agent selling all kinds of insurance, and then for twelve or thirteen years as a supervising official, I feel that I can talk to you with reference to this matter. Not that I know any more than you do, friends, but there has been ground into me certain facts, and I have been placed in a position where I had to take care of myself and perform the duties placed upon me. As Insurance Commissioner I am ex officio Fire Marshal of my State. A good fire marshal law and a good building law are absolutely necessary, and you must have the power to investigate all fires and punish all criminals. You must have the power to go into your cities and towns and prevent the erection of improper buildings and take out those buildings that are a menace to those cities and towns. There are a great many problems in connection with this matter. In my State I have deputies passing through the State to investigate every fire. Every insurance company is required to report to me every fire that occurs on which they have a policy, and they cannot settle for a loss under their policies until seven days after they have reported the fire to me, and I never allow them to settle for a fire if it is being investigated. Every fire, whether there is insurance upon the property or not, is required to be reported to me by the chief of the fire department of the city or town in which it occurs, and if a fire occurs outside of a city or town, it must be reported by the association of the county. So that I have one report of every fire that occurs where there is no insurance and two reports of every fire where there is insurance.

During the time in which I have been Fire Marshal I have convicted and sent to the penitentiary 134 people, and I have thirty now awaiting trial by the Courts; and I venture to say, my friends, that we have no more fires in our State than you have in yours, in proportion to the population.

There has been a great deal said in reference to the valued policy law. That overinsurance is a crime and has caused a great many fires there is no question, but that it can be helped by a valued policy law I do not believe. I have studied this matter with much care. The trouble about overinsurance is that the agent wants the extra premium. The companies do not desire to permit overinsurance where they know it. If you will write or wire to any company in the United States, or their officials, that there is overinsurance on your property or mine, they will cancel it, and in nine

cases out of ten they will cancel it by wire. The trouble with the agent about overinsurance is that he is careless, he is thoughtless, and sometimes he is criminal in his desire to get a commission.

But there are agents who are honorable men, your friends and mine, our fellow citizens, and they are working for a corporation that is far away. At one time I thought that the only agent who ever was guilty of overinsurance was a mean, low-down fellow. But, my friends, I have been startled in my experience in finding that there were agents, the best men in the community so far as their reputations went, as good as any men in my State, who were guilty of this crime of overinsurance. How to prevent an agent from overinsuring property is an unsolved problem, and I have almost come to the conclusion that it is an unsolvable problem. There is one thing that a valued policy law will do; it will put a premium on the ability to get overinsurance. Because no matter what the loss is, if the property is insured, the face of the policy must be paid, and paid without question.

What we need are good building laws; laws that will be enforced in our States. We want to go to the very root of the matter. Reverting to the reference that has been made by our distinguished President to foreign countries, why is it that we have eight times the number of fires that they have over there? Why is it that we are destroying thousands and thousands of dollars' worth of property every year, three-fourths of which could have been prevented? I know that since the time we begun to enforce the building laws in my State and since the time we begun to enforce the fire marshal's law, we have reduced the fire waste of the State to one-half of what it was before. (Applause.) And this has been accomplished, my friends, simply by carrying out in an imperfect way what is, by no means, a perfect law. Go home to your people and talk to them. Go to your chamber of commerce, as our President here has suggested; go to your citizens and your women's clubs. If you want to start something you go and get your public officials and merchants together, and then you go and meet with the women's clubs and get them interested, and I will tell you what each one of you know by experience, that there will be something doing in your town. (Applause.)

Mr. Ekern: I have just one suggestion to add to the remarks that have been made on this subject. Most of you know that we have had a legislative committee investigating this subject during the past year. We have been struck with the interest there is in the matter of inspections for the prevention of fires. The matter of construction is something which can be improved only through lapse of a considerable period of time. To bring about an immediate improvement you must reduce or remove the temporary

hazards. Now, for that purpose inspections are very valuable, and in our State there has been developed very recently a system of inspection by the local fire department which, in some circumstances, have been very successful and productive of good results. In other circumstances they have not been so successful. It really depends upon the personality of the fire chief. Out of that this one thought has developed: The insured buys his insurance policy for two purposes: in the first place for indemnity, and in the second place for protection against fire. If he buys a policy of insurance it is more against the possibility of loss than for the indemnity merely in case of loss. And as the insurance company and the agent of the insurance company are, in reality, merely the agents of the insured for the distribution of their possible losses, they should be made as such agents to provide for that inspection which is so necessary to prevent these losses in the immediate future. I just want to leave the thought that it may be possible to impress upon the owners of property the desirability of their themselves requiring this inspection. That may be done through a statute or it may be done through contract, and perhaps, to a large extent, it may be done through an educated public sentiment on the value of such inspection.

Mr. Young: Mr. President, the building laws in our State require that there shall be a quarterly inspection within the fire district of every city and incorporated town in the State, and that there shall be an annual inspection of every building within an unincorporated town in the State. This inspection is made by the local officers and also by deputies of mine. Whenever the fires grow light and there is not much investigating to do, we keep our men investigating these cities and towns. We have recently made about six thousand corrections of differentiations in our cities and towns, and in addition there is also an inspection by the Fire Prevention Bureau, an association composed of special agents of the fire insurance companies, and while these latter have no power to enforce their demands except by cancellation of a policy, they send me a copy of their report of all investigations and inspections, and whenever there is any question about the enforcement of their suggestions and the corrections of these differentiations I take the matter up with a local officer or send a deputy there and have the matter corrected.

Mr. Darst: I am sorry that I raised the question about the valued policy law, as I don't care to discuss it. But there is another side of that question. The object of the valued policy law was this: Fire insurance agents, like any other agents representing a great manufacturing establishment, for instance—the principals are responsible for the acts of their agents. If I go out

as an agent of a company and sell a man a bill of goods, the company must fulfill the contract; they must settle. And the object of the valued policy law was just that—that the company should be responsible for the acts of its agents. And if an agent overinsures property, then the company must pay the full value, because he was their agent. What would be the result if that plan was strictly carried out? Every insurance company in this great country would see to it that their agents looked into this matter and see whether the property was overinsured or not and whether there was any temptation for a man to burn his property for gain.

As Insurance Commissioner of my State I have felt almost criminal in taking the money of the insurance companies to maintain my department when at the same time I knew that their agents were going out to tempt men to burn their property for gain. I would rather take their money to bring those men to the bar of justice and send them to the penitentiary.

Why not remove the cause? Why spend the insurance companies' money for the purpose of placing temptation in the way of weak men? Something must be done, gentlemen. If the valued policy law is not a proper thing, then this Convention should suggest something that will stop these men from deliberately going out as the agents of these corporations and overinsuring property, and the company not being held responsible for their acts. I thank you.

Mr. Young: We have no difference with regard to the matter of overinsurance. But I believe, after an experience of forty years, that that is not the way to handle the matter—through a valued policy law.

The President: **The next matter for our consideration is a paper on the subject of the "Conservation of Life and Prevention of Accidents," by the Commissioner of Insurance of the State of Colorado.** I have pleasure in introducing Commissioner Clayton.

Mr. Clayton: Mr. President and Gentlemen of the Convention: I was very much in hopes that this subject on which I am to talk would be postponed until after lunch, because I always hesitate to talk to people on an empty stomach.

We have heard read two very able papers this morning. One by Mr. Done, and I can assure Mr. Done that our minds were not "harrowed" in listening to his paper; and the other by Mr. McCoy. I am glad that our President saw fit to mention the fact that the former Commissioner of Colorado, my predecessor in office, Mr. Rittenhouse, was taking such an active part in the matter of the conservation of life. We of Colorado feel proud of the fact, and I believe that the Commissioners in this Convention feel proud of

the fact, that one of our number, a Commissioner from Colorado, has been responsible probably more than any other man for the interest that the insuring world is taking in this great work. (Applause.)

I wish to say in passing, that in 1909 Mr. Rittenhouse resigned the position of Insurance Commissioner of Colorado and accepted the position of president of the Provident Life Association, and shortly thereafter began the work of disseminating knowledge and information regarding the conservation of life, and I believe that that company was one of the first to begin this work. Since that time he has consistently advocated that all insurance companies should take up this great work, and, as you know, is at present at the head of the conservation bureau of one of our largest life insurance companies.

I believe that there are two very important questions before this Convention—two questions of paramount importance. One is the Blue Sky law, which we have heard so much about and which has been discussed so ably in our Executive Committee meetings, and the other is the conservation not only of life, but of fire waste, etc.

I also wish to say in passing that I believe the time will come when the Commissioners will not only take upon themselves, or invite the Legislatures to impose upon them, the work of supervising stock-selling propositions, but that the time will come when the Commissioners will establish a bureau of conservation.

Mr. Clayton then read his paper.

(Mr. Clayton's paper will be found commencing on page 221 of the Appendix.)

The President: The able paper of the Commissioner from Colorado is now open for discussion.

Classification of Fire Insurance Experience.

Mr. Appleton: Mr. President, I am directed by the Superintendent of Insurance of New York to present for the consideration of the Convention the following resolution:

"Resolved, That a special committee of five be appointed by the President to ascertain the feasibility of having fire insurance companies adopt a uniform system of classifying their experience and making periodical reports to some central organization; and if such plan appears to be practicable, such committee to have power to adopt a working plan to become effective January 1, 1913."

Mr. President, this resolution calling, as it does, for a special committee, if I am correct in my understanding, should go to the Executive Committee. And I am prepared to present to that committee, for Mr. Emmet, his reasons for the presentation of this

resolution, and if the Executive Committee then thinks it advisable that this resolution be presented to the Convention for adoption, it can be presented later on. I think this method will probably save time.

The President: The resolution will be referred to the Executive Committee.

Federal Co-operation.

Mr. Preus: I have a resolution here which I wish to offer and request that it be referred to the Executive Committee. It is as follows:

"Resolved, That the Executive Committee be authorized and directed to ascertain the amount of assistance and co-operation which may be secured from the Commissioner of Corporations and Bureau of the Census of the United States in relation to the work of this Convention."

A special committee has already reported to this Convention that, in its judgment, it is impracticable to establish a central bureau. There is a certain work that can be better done, we all agree, through co-operation than separately by the several departments. For instance, the collection of statistical information and the distribution of that information. I don't know, in fact I have not given it any thought, as to how far we can include in that any remedy for the conditions mentioned by Mr. Mansfield. There is also the matter of the collection and dissemination among the Commissioners of rulings of the various departments; also the status of legislation in the different States. There is a great amount of work of that kind which can better be done by co-operation, and the purpose of this resolution is simply to start some inquiry as to what assistance can be given us in this way, which assistance, of course, can be furnished, and will be furnished, if furnished at all, without expense to the individual States or to this Convention.

The President: The resolution will be referred, as requested, to the Executive Committee.

Mr. Palmer: Mr. President, I desire to move that the papers read by Commissioner Young and Actuary Anderson be referred to the Fraternal Committee, and that the paper read by Auditor Barton, on Expenses of Fire Insurance Companies, be referred to the Committee on Laws and Legislation.

Motion duly seconded and adopted.

Mr. Preus: I have a communication here signed by five persons regarding the affairs of the Woodmen of the World, which I would like to present and have referred to the Committee on Fraternal, without reading.

The President: The communication referred to is referred to the Fraternal Committee for its consideration.

Mr. Mansfield: **Before I came out here to this Convention** a representative of one of the insurance companies in Connecticut asked me if I would not personally correspond with the Commissioners in regard to **the use of the same name or title by different companies** in different States. I told him that I would not do that and that I did not feel called upon to take action with regard to any particular company, but that I would, if opportunity presented itself at this Convention, ask the Commissioners if they would be willing to take the matter up in order to prevent, as far as possible, the repetition of names or the using of the names of old companies by new companies that are being formed. With this statement I think that I have fulfilled my mission, and I ask the Commissioners if they will please give it their attention should opportunity offer. I have no resolution on the subject.

Mr. Preus: I made a mistake in stating that the communication I presented referred to the Woodmen of the World. It refers to the Woodmen's Circle. I would also ask that the same be read.

The President: Is this the women's auxiliary of the Woodmen of the World?

Mr. Preus: Yes.

The President: The Secretary will read the communication.

The communication was read.

Mr. Brumbaugh: Should not this be referred to the Committee on Steam Rollers?

The President: The resolution is referred, by request, to the Fraternal Committee. Is there any member of that committee present? Inasmuch as this request comes from a woman's fraternal order, I will add to that committee, temporarily, first, Commissioner Palmer, of Michigan; also Commissioner Preus, of Minnesota, and Auditor Barton, of Nebraska, and if these gentlemen undertake any interference in the dissensions of a woman's fraternal order, may God have mercy on them.

Mr. Deavitt: I think the Commissioner from Connecticut has brought up a matter here which really ought to have some serious consideration, and that is the use of the names of old companies by new ones. Of course, new companies have just as much right to the use of names, perhaps, as older ones to appropriate them earlier, but it does result in a great deal of confusion. For instance, in my State there is the National Life Insurance Company of Vermont. In your State, Mr. Preus, is the National Life Insurance Company of America. Now, it has been necessary to have litigation between these two companies to determine to whom mail addressed to the National Life Insurance Company should be

delivered in Chicago, and the courts decided that it should be delivered to the National Life Insurance Company of Vermont, because they were the first one to use that name.

Now, there are other companies which are being formed and appropriating that name. As Commissioner Mansfield suggests, I don't know as there is anything we can do about it except to suggest to companies that are being formed that if they do use the names of these old companies, confusion will result and possibly litigation follow, and that it would be better not to get the names of the old companies mixed up with the new ones. As the Commissioner from Connecticut suggests, I don't know that we can take any action, but it certainly does seem to me that the matter should have the attention of the Commissioners where these new companies are being formed.

Mr. Darst: I would like to ask the gentleman if in most States that is not prohibited by law?

The President: That is largely regulated by law.

Mr. Deavitt: **Now, there is another matter** which Mr. Anderson brought up that appealed to me, and perhaps that is a matter that should properly come before the American Bar Association rather than this Convention, and that is the fact that **judges of the courts accept places on the directorates of insurance companies.** In our State a few years ago one of our judges was elected a director of one of our largest insurance companies. He declined the honor, not because he did not appreciate it, but because he felt that the judiciary should be entirely free from insurance interests. (Applause.) Shortly after a law was passed in our State providing that no judge of the Supreme Court should accept election as a director of a railroad, a bank or an insurance company, and it seems to me that the gentleman from Wisconsin could handle the situation there by securing the adoption of such a law as that. For it seems to me that judges should not accept such positions as those; not but what they can render impartial service, but it seems to me that it places the judiciary in a better position if judges would not accept elections to directorates of insurance companies and other business corporations.

The President: Are there any further resolutions before we adjourn?

Mr. Hardison: Mr. President, I have in my possession a letter from the Hon. John B. Stone, president of the American Casualty Company, with reference to a resident agency law. It discusses the question in a very able manner, and some of the points that he presents should come to the attention of this Convention. I don't propose to read the letter, or to ask for an opportunity to do so,

but I would move that it be referred to the Committee on Laws and Legislation for consideration.

The President: It will be so referred.

Mr. Hardison: I want to make one other motion, and that is that these three excellent papers that we have listened to this morning be referred to the appropriate committee—the Committee and Legislation for consideration.

Motion duly seconded and adopted unanimously.

On motion of Mr. Palmer, an adjournment was taken until 5 o'clock this afternoon.

July 25, 1912, 5:30 P. M.

A quorum not being present, on motion of Commissioner Preus, Convention adjourned until tomorrow morning at 9 o'clock.

FOURTH DAY.

July 26, 1912, 9:30 A. M.

The President: The Convention will be in order this morning.

Mr. McMaster: Mr. President, before beginning the regular proceedings, in view of the very handsome and extraordinary entertainment which we have had since we have been here, I think it proper that we should give a little more than ordinary attention to it. I therefore move that a committee, consisting of the Commissioners from Connecticut, West Virginia and Montana, be appointed to draft resolutions thanking the city of Spokane, and the various bodies, organizations and persons to whom are due our thanks.

Motion duly seconded and adopted unanimously.

The President: The first thing on the program this morning is a paper on **Adequate Reserves Against Employer's Liability and Workmen's Compensation Risks**, by Superintendent Emmet, of New York. In the absence of the Superintendent, the paper will be read by Mr. Appleton, his First Deputy. I have the pleasure of introducing Mr. Appleton. (Applause.)

Mr. Appleton then read the paper.

(Mr. Emmet's paper will be found commencing on page 227 of the Appendix.)

(During the reading of Superintendent Emmet's paper the President called Vice President Hardison to the chair.)

Discussion of Mr. Emmet's Paper.

The Chair: Gentlemen of the Convention, you have heard the very excellent paper of the Superintendent of New York. What is your pleasure?

Mr. Anderson: I would like to ask if there is not a misprint on page 2 of the printed address? Should not the words "earned

premium," following "45 per cent." a little below the middle of the page, be "unearned premium" instead?

Mr. Appleton: I have not the original copy with me. I think it should be the earned premium instead of the unearned.

Mr. Palmer: I have a copy of the Michigan law in my room and will bring it down here.

Mr. Mansfield: I am sure that we all appreciate this able paper which has been prepared by Mr. Emmet and read so ably by the Deputy from New York. I am entirely incompetent to discuss it and I don't intend to attempt to discuss it, but I think it should be referred to the appropriate committee. I therefore move that the paper be referred to the Committee on Reserves Other Than Life, so that it may be considered by that committee.

The Chair: Does anyone wish to discuss the paper before it is so referred? I think, perhaps, it should be pointed out in this connection that when the law of 1904 was passed by several of the States, a greatly increased reserve was required over what the companies had been carrying up to that time. In fact, it increased the reserves to an extent that was all that some of the companies could possibly carry and remain solvent. They gradually worked out from that situation, increasing their surplus and putting up the reserves required by that law, and it was demonstrated, as was expected when the law was enacted, at least in Massachusetts, that it would be necessary to change that law in the near future for the purpose of getting still larger reserves. The effect of this law that was passed two years ago was to considerably increase the reserves. I think it increased the reserves of almost all of the companies who were doing this kind of business. It is now seen that even that does not go far enough, and, as Mr. Emmet points out, it is necessary to take the matter under consideration again for the purpose of enacting a law that shall produce adequate reserves. If such a law had been enacted in 1904 I think you would have a great many of our liability companies that are now in pretty good condition out of business. So it has been a gradual stepping upward, and I think that finally we shall get them on a fair basis, and that it is time that we give the attention to this subject that it merits.

Gentlemen, are you ready for the question on the motion of the Commissioner from Connecticut?

Mr. Darst: Mr. Chairman, before that question is voted on, would it not be well for the Convention to make some other disposition of this paper. As I understand it, no action will be taken on this paper until the Convention meets again.

The Chair: Do you wish to make a motion?

Mr. Darst: No.

Mr. Young: I just want to say that if it be referred to the committee they will consider it and have until the time of the next meeting in New York to decide upon what action may be necessary.

Motion was duly seconded and adopted unanimously.

The Chair: **The next matter on the program is a paper on Life Insurance in Groups, by the Hon. Burton Mansfield, Commissioner from Connecticut.** (Applause.)

Mr. Mansfield read his paper (which will be found commencing on page 235 of the Appendix).

Discussion of Mr. Mansfield's Paper.

The Chair: Gentlemen of the Convention, what is your further pleasure?

Mr. Darst: Mr. President, I would like to ask one question. This is a new question to me, and the thought occurred to me while the Commissioner was reading that paper as to what is meant by "group insurance." How many does it take to make a group? If this group insurance came to be a general thing, the thought occurred to me whether or not a life insurance agent could not in representing any of the great companies come to individuals and say, "Here, I can't rebate; I can't make any distinction in the cost as an individual, but if you will come in on the wholesale basis I will sell you your insurance at wholesale rates." I understand that this group insurance is different in price—the difference between retail and wholesale. If that be true, would there be any danger of life insurance agents taking advantage of that and getting up a group in order to rebate and thus make trouble?

Mr. Mansfield: As I understand it, the groups must be at least one hundred in number, and the rate is fixed, I take it, after all the conditions have been taken under consideration. I should say that there could be no rebate without a violation of the law. I don't see how you could rebate on a group premium any more than on an individual premium.

The Chair: The Chair would like to ask the Commissioner from Connecticut whether he sees any necessity for legislation in reference to group insurance?

Mr. Mansfield: I don't see why it can't be done now. Of course, there may be laws in some of the States under which group insurance might be construed as discrimination—perhaps where you have your requirements for medical examinations—but as it stands now I don't see why, as a rule, this kind of insurance cannot be put into operation.

The Chair: How about restraining laws?

Mr. Mansfield: As I understand it, they would be subject to the present laws.

The Chair: Do you think the present laws are sufficient?

Mr. Mansfield: Yes; that is what I thought. Of course, we have not gone into a detailed consideration of all the laws of the various States as to what might be the effect of this kind of insurance; but it has seemed, so far as we have been able to discover in connection with our own law, that there is nothing in the way of this plan being carried out. Of course, I know that question is being raised.

Mr. Palmer: The question is a new one, and is coming up very rapidly before the different departments of the country. Speaking for Michigan, we have had the proposition of the approval of group insurance policies put up to our department by some of our large manufacturing interests and have deferred approval of the plan until we could hear Mr. Mansfield's paper. I believe for the general good of this Convention that that paper should be printed and published, and I move that when the Secretary prints the proceedings of this Convention that he have printed and distributed to the members of this Convention one thousand extra copies.

Motion duly seconded and unanimously adopted.

The Secretary: Merely for the information of the membership, I would say that it is my purpose to have printed and published immediately after the Convention all of the papers that I am directed to have printed and published, and not wait for the publication of the regular proceedings.

Mr. Brumbaugh: Mr. President, and Commissioners and Superintendents of Insurance: I cannot resist the temptation at this moment presented of commenting upon this rather peculiar and unexpected example which has been shown you of a Commissioner giving such a beautiful and delicate tribute and recognition where it is due. Of course, the deputies all understand this matter, but the general public does not; and the deputies are entirely willing to give you all the information they can so that you may go out and shine before the public, but we would like to call your attention to this fact: That it is exceedingly sweet to be recognized in such a magnificent way as the Commissioner from Connecticut recognized his Deputy in this case. I mean no offense, gentlemen, you understand. We are entirely willing to furnish you the information (laughter and applause), so that you may appear before the world in all your magnitude and glory and shed honor and lustre upon your native State; but we do like to be recognized in some such way as this, and I hope that this is an example which may be followed in the future. (Applause.)

Mr. Hardison: Gentlemen of the Convention, what is your further pleasure? If there is nothing further to be said with reference to this paper, we will take up the matter of hearing reports of committees. Is any committee ready to report?

The Secretary: Mr. Chairman, I have here several reports of committees on my desk. **One from the Executive Committee** recommends the adoption of the following resolution, to which is attached a memorandum setting forth the reasons therefor.

The Executive Committee recommends the adoption of the following resolution, to which is attached a memorandum setting forth the reasons therefor:

"Resolved, That a special committee of five be appointed by the President to ascertain the feasibility of having fire companies adopt a uniform system of classifying their experience and making periodical reports to some central organization, and if such plan appear to be practicable the committee to have power to adopt a working plan to become effective by January 1, 1913.

C. A. Palmer,
Silas R. Barton,
James R. Young,
Willard Done,
Frank H. Hardison,
F. H. McMaster,
H. L. Ekern,
Henry D. Appleton,
Burton Mansfield."

The Executive Committee in reporting for favorable action the above resolution presented the following statement, submitted by Mr. Appleton on behalf of Superintendent Emmet:

Recent legislation by this and other States affecting the fixing of fire rates has drawn general attention to the question of classification of premium income and losses. Fire underwriters appear to be at variance in their opinions as to the usefulness of figures obtained in this manner as a basis for rate making. It appears that the objection of some are based on a misconception as to how far it is proposed that figures should control the making of rates. It has never been contemplated that figures should be used to fix gradations in the individual specific rate as some opponents to the use of statistics seem to believe. It is, however, advanced by the advocates of classification figures that the only true basis for schedule base rates and class or minimum rates is the loss experience of each class. It appears that some who voice their objections most vehemently are not doing so in good faith. In this latter category belong those who pretend to decry the value of

statistics in any form, yet maintain a minute classification in their own offices which they jealously guard as their most precious trade secret. In fact, there is hardly an underwriter who does not maintain some system of classification in his office and, with perhaps some exceptions, the larger and more successful the company the more elaborate the classification maintained. It appears almost as though it was thought by some that rating associations should be kept in the dark as to company experience so that rates will be made as high as the trade will bear. It then becomes the function of the clever underwriter to discover by means of his classification system where the rating association has made rates too high, and to write as much of this business as he can get, and as little of the classes which his classification shows to be unprofitable at the rates fixed by the rate association. It is only where rates prove to be too low that he stands ready to make public his classification results. It may be readily understood how underwriters who entertain these views come to regard their classification as "trade secrets."

If classification can be used for the purpose of discovering the "profitable" and the "unprofitable" classes, there is no valid reason why the same figures should not be used to readjust rates. If an underwriter decides not to take on further lines in a certain class because his loss record in that class has proven unfavorable, it certainly comes with poor grace from him when he asserts that this record is not conclusive and that it should not be considered in adjusting the rate. After accepting the figures as a proper basis for a decision to reject business, can he still maintain that they are of no value in determining the adequacy of rates?

Another objection advanced to classified figures is the oft-repeated assertion that to be of any possible value they must be nation-wide in scope. Yet—to take New York State as an example—four leading associations are maintained with differing rules, forms, minimum and base rates, coinsurance requirements, etc. At least two of these associations have experience figures for the purpose of readjusting rates or schedules. Whenever they have done this, they called for the experience figures of their members within the confines of their respective territories only.

As an indorsement of the principle of classified figures in determining rates, it need only be mentioned that the New York Fire Insurance Exchange—perhaps the best organized and most powerful rating organization in the country—has deemed it advisable to call upon its members a number of times for the experience on certain classes upon which minimums were to be revised or schedules changed. This rating association possesses the distinct advantage of counting among its active members the most promi-

ment and most influential fire underwriters in the country. Upon the occasion of the tenth anniversary of the organization the manager, in a memorandum submitted to the annual meeting in March, 1909, made the following comment upon the lack of co-operation among members when he called for statistical information:

"How many of you know, or, knowing, ever recall, the fact that for more than five years past every rate card placed in your cabinets has shown the classification of the principal risk under the number assigned it in the U. M. S.* Occupancy Charges, and that we maintain a group classification of the cards by which all risks of a similar class are brought together? Our hope when we started that classification was that it would be complemented by a similar classification of your premiums and losses, with a view to our dealing quickly and intelligently on your behalf with any classes that might call for either advances or reductions. Our classification is complete and has been complete for five years, but when we seek information at your hands as to premiums or losses upon any given class we cannot get it from even so many as ten members."

As a result, the exchange adopted at a subsequent meeting a resolution which empowers the managers to call upon members for their tabulated experience whenever he deems it advisable so to do. Members were instructed to comply fully with these requests with the understanding that the manager is to receive all figures confidentially, and after having combined them for use, to destroy the original data.

The second largest rating organization in the State, the Underwriters' Association of New York State, recently examined by the department, had also, upon several occasions, used such statistical information as it was possible to obtain from the companies. It is now the accepted opinion of that organization at Syracuse that statistics should be available for rate making purposes. During the year 1907, a certain class rate had been revised according to statistical data obtained from the membership. The then president of the association commented upon this in his annual address as follows:

"The companies favored us with a fair volume of statistics. Let us show them by our final action a sort of rate making to be encouraged. The loss cost is known only to our companies and no one of them knows it satisfactorily."

A committee appointed by the New York State Legislature in 1910 to examine into the affairs of fire insurance companies, their

*U. M. S.—Universal Mercantile Schedule.

modes of conducting business, making rates, etc., generally known as the Merritt Committee, also came to certain definite conclusions as to the desirability of a proper classification. After gathering a mass of valuable material upon the general subject under investigation and listening to many prominent fire underwriters and other insurance experts, it devotes a chapter to classification in its report from which the following is quoted:

"This leads up to the general subject of scientific ratings. In spite of modern developments in schedule rating the fire insurance business today is still done in a very unscientific way. To a certain extent it must always be somewhat unsatisfactory as compared, for instance, with the exact methods of life insurance. The reasons have already been referred to, the very great complexity of the problem, the changing conditions, the presence of an indeterminate conflagration hazard. This, however, is not a sufficient excuse for abandoning the whole problem and doing nothing, dismissing the whole subject with the observation that fire insurance is nothing but guess work and never will be anything else; and this is the attitude of many underwriters.

It is simply a very complicated and difficult problem in classification; if anything is to be done with it this must be recognized and it must be dealt with accordingly.

All problems in classification are difficult and different from all others; this one undoubtedly is particularly different.

Practically the only light that is thrown upon the hazards in fire insurance is that of experience; and, furthermore, the experience to be worth anything must include not one, but similar cases. The gathering together of this experience can to a degree be done by the mind unaided; so gathered and assimilated it becomes known as 'underwriting judgment.'

In addition to all that can be done by the help of exact classification there will always be opportunity for all that the cleverest underwriter has of underwriting judgment.

Two objections that are frequently made to classification in fire insurance are: first, that, if the classes are made large enough to afford a proper average the class will be so comprehensive, will embrace such a large range, that it will lose its practical value; second, that if it is made definite enough to be of practical value the number of examples of the class will be too small to yield an average. But these objections are not peculiar to fire insurance; they are the two extremes between which any problem in classification must be kept; and while they are important they are commonplace; they are taken for granted.

There are two principal uses for classification—and in this it is assumed that schedule rating is contemplated. The first use is to

furnish detailed knowledge with regard to the elements of the hazard upon which to base the charges of the schedule. This is confessedly a very difficult matter, and it is freely admitted that only the main points could be ascertained in this manner; most of the detail would have to be put in with the help of underwriting judgment.

The second use for classification is as a test of the correctness of a schedule when made. The very fact that the details of a schedule must be largely a matter of underwriting judgment makes it of the greatest importance to be able to subject the schedule when made to a test to see how nearly right this judgment has been.

The obvious first test to apply is to see whether it has reduced the proper amount of premiums, to be gauged, of course, by the fire loss, on the business as a whole. But this is only a crude test; the schedule may be producing too much revenue on one class and too little on another. It becomes desirable, therefore, to test it on different classes, and in a great variety of ways. If the schedule should stand all these different tests it would be pretty conclusive evidence that it contained no serious defects.

The practicability of classification in fire insurance has been increased tenfold by the modern sorting machine, such as is used in the tabulation of the United States census; in fact, it is not too much to say that this machine is capable of revolutionizing any business in which a detailed mass of statistical knowledge is important. Problems which before would have called for hundreds of clerks and volumes of weary tabulation can be run off on a machine with an incredible degree of efficiency. The information with regard to the individual is punched on a card and these cards so punched can be sorted to make any desired exhibit. It is absolutely within the bounds of practicability that all pertinent information with regard to each risk in fire insurance should be punched upon a card and when so done and filed it becomes only a mechanical process to separate any information that is desired; for instance, the amount of risk and the premium receipts in any given portion of the city; the amount of premium receipts, the amount at risk and the losses in any given class or on buildings of any given type of construction."

On page 72 it further states:

"It is perfectly certain that the public has a right to demand and is going to demand that in return for the right to combine the companies shall furnish equitable rates and not only that, but that they shall put themselves into the position to demonstrate that they are furnishing equitable rates so far as that is humanly possible."

This committee found that the principal reason advanced against anticomcompact legislation is the contention that the experience of one company is insufficient as a proper basis for rates, and that companies, therefore, be permitted to combine so that they may enjoy the advantage of combined experience. The matter is summed up on page 40 of the report as follows:

"Granted that the problem of rating is very difficult; the practical result is that it is impossible to make rates properly on the basis of a single company's experience. The experience even of the largest companies is not extensive enough to insure the proper working of the law of averages on all classes. It is very natural then, and from this point of view desirable, that the companies should, for this purpose, combine; for not only can they thus make rates more effectively, but, since rates on the same classes are needed by all, it would be a useless expense to have the work duplicated."

The fact that companies have apparently combined very little of their experience thus far—in fact, have not even adopted a uniform classification which would make a collation of figures easy on all classes, but have used their associations principally to maintain rates, does not affect the principle involved.

In any movement for classification, it may be well to consider that, to be most valuable, it should be made by the States acting together; in fact, one or two other States have already made attempts to collect company experience. Unless a uniform plan is adopted the lack of uniformity already existing in the requirements for administrative control of the fire insurance business will become still more onerous to the companies. Further, lack of uniformity is likely to force companies to seriously discriminate in the rating of one State as compared with another. On this matter of uniform classification the Merritt Committee has the following to say on page 73 of its report:

"Since the underwriters have failed to take the initiative in the collection of a combined loss experience and since it is necessary, if rates are to be equitable and demonstrably equitable, that such figures should be available it seems inevitable that the State should undertake this work. It would fall in very naturally with its other work along the lines of publicity.

Each company should report to the Superintendent its classified experience for the year and for the whole of the country. Such a plan, however, has so many dangers and so many difficulties that it should be adopted only after most careful consideration. At present each company has its own separate method of classification; most of these are very bad. If the companies were to report to the State it would, however, necessitate the adoption by all of

a uniform system. It would be necessary to plan such a system with the most extreme care. Another danger lies in the possibility that different States might demand the experience of the companies classified in different ways; this would plunge the companies into maddening confusion.

While, therefore, it is certainly desirable that loss experience should be gathered and made a matter of public record, no State should enter upon this without the most careful consideration. It is properly a matter which should be handled by a committee of the National Convention of Insurance Commissioners in conference with the companies in the same way that the subject of uniform blanks is handled."

It is only too apparent in view of the immense interests affected and the large volume of premiums collected, that the underwriters and their rating machinery should adopt some system whereby the approximate cost of carrying the various classes could be ascertained, and thus enable them to assess, with some degree of equity, the rates, according to the various hazards.

It is evident that if a rating association is to produce rates on the various classes of risks which are adequate and at the same time equitable, it must have access to the experience not of one, two or a dozen companies, but of all companies, and such experience must not be confined to a limited section of the country, but to the class throughout the entire country. It is further evident that unless the classification adopted by the companies is uniform, it would be quite useless, for the purposes of a rating association, as it would be impossible to combine the figures from the various companies and produce proper results. In this connection it may be stated that in May, 1912, the New York Department sent a circular letter to the fire insurance companies operating in that State. The circular tentatively submitted a request for the experience on twenty-seven broad classes of risks located in the territory of the four rating associations of New York as well as on risks located outside of the State. The companies were also requested to make suggestions based upon their knowledge and experience as would enable the department to formulate its requirements in such manner as to entail the least possible expenses and labor upon the companies.

From the 74 replies received to July 1st, it appears that 38 companies could furnish no figures, and of the balance only three could give the figures as called for. Forty-two companies made no comments or suggestions in answer to the request, and the others were about equally divided between those commenting adversely and those commending the principle of classification. (See copy of circular and summary of replies attached.)

As the companies have taken no steps to equip their rating machinery with the necessary information to equitably adjust rates, it would seem that the Convention of Insurance Commissioners should take the initiative and plan for the keeping of the experience of the future by appointing a committee to ascertain the feasibility of having companies adopt a uniform system of classification and reporting the same to some central body.

It has been urged by the underwriters that any demand of the insurance departments on the companies to adopt uniform classification would prove an added expense to the companies by requiring them to keep a system of classification adapted to their individual methods as well as the system required by the department. In this connection it may be pointed out that it is not necessary to require the companies to actually keep a uniform classification, but all that would be required by them is a uniform system of recording certain information and transmitting it in proper shape to some central body where the modern sorting machine can be depended upon to perform the necessary work of tabulation. In this respect it would appear that a requirement for a uniform system of recording information would prove a distinct advantage to companies in systematizing their records in the same manner that the uniform blank has systematized the companies' accounting methods.

Copy of Circular.

State of New York, Insurance Department.

Albany, May 20, 1912.

To Fire Insurance Companies Operating in the State of New York:

This department desires to obtain from fire insurance companies operating in this State certain statistical information relative to their writings on risks located in this State and elsewhere, the objects in view being to obtain (a) the ratio of premiums to amount at risk, and (b) the ratio of losses to amount at risk and to premium, annually, beginning with January 1, 1900, to and including December 31, 1911. The writings to be divided into certain broad classes, the experience to be given separately for the territory covered by each of the four rating associations operating in this State, as well as the total experience exclusive of New York State.

While there is no desire to impose unreasonable hardships or expense upon the companies, it is felt that this matter is of the highest importance to the insuring public.

The following is tentatively submitted for your consideration with the request that you co-operate with this department by making such suggestions based upon your knowledge and experi-

ence as will enable it to formulate its requirements in such manner as to entail the least possible expense and labor upon the companies, and at the same time obtain from the companies figures sufficiently accurate and uniform so that the combined results may prove of value:

A. Amount at risk and premiums (net as to reinsurance and cancellation):

1. Annual business.
2. Two-year business.
3. Three-year business.
4. Four-year business.
5. Five-year business.
6. Other term business.

Annually for each calendar year from 1900 to 1911, inclusive.

B. Paid losses, annually for each calendar year from 1900 to 1911, inclusive.

C. The above to be divided:

1. Risks located in territory of the New York Fire Insurance Exchange.
2. Risks located in territory of Suburban Fire Insurance Exchange.
3. Risks located in territory of Underwriters' Association of New York State.
4. Risks located in territory of Buffalo Association of Fire Underwriters.
5. Risks located in territory outside of New York State.

D. The above to be further subdivided into the following classes:

1. Farm dwellings and property.
2. Unprotected dwellings (not including above).
3. Protected dwellings (frame).
4. Protected dwellings (brick).
5. Public buildings.
6. Hotels (fireproof).
7. Hotels (nonfireproof).
8. Bank and office buildings (fireproof).
9. Bank and office buildings (nonfireproof).
10. Retail mercantile risks.
11. Wholesale mercantile risks.
12. Chemical works.
13. Oil products and factories.
14. Garment factories.
15. Lumber and woodworking risks.
16. Metal-working risks.
17. Textile mills and factories.
18. Flour mills.

19. Canning factories.
20. Cheese and butter factories.
21. Miscellaneous manufacturing risks.
22. Omnibus mercantile risks.
23. Railroad and traction properties.
24. General storage warehouses (fireproof).
25. General storage warehouses (nonfireproof).
26. Sprinklered risks (if classified as such and not included in other classifications).
27. All other risks not classified above.

All of the above classes to include experience on building and contents without separation.

It is not expected that companies which were not members of or affiliated with all the rating associations should separate their figures for each of the previously mentioned territory. It is, however, expected that such companies will give their underwriting experience in the territories of the associations of which they were members and also their experience for the entire State, as well as their experience exclusive of New York State.

Please favor the department as soon as possible with your opinion as to the approximate time and labor of preparing the figures for the groups suggested, together with your views as to the regrouping of classes so as to simplify or facilitate the work.

Respectfully yours,

W. E. Emmet,

Superintendent of Insurance.

Note.—Reply to this communication should be sent to the New York city office of this department, at No. 165 Broadway.

Summary of Replies to Circular Regarding Classification of Experience of Fire Companies.

Replies received from 74 companies.

No replies received from 117 companies.

Of those not sending replies 33 had a premium income of \$1,000,000 or over in 1911; 27 had a premium income of \$500,000 to \$1,000,000 in 1911, and 57 had a premium income of under \$500,000 in 1911.

The replies received can be classified as follows:

As to Figures:

1. 38 Companies cannot furnish any figures.
2. 21 Companies can give some figures classified.
3. 2 Companies can give figures for less than the period called for.
4. 3 Companies can give figures as called for.

As to Comments and Suggestions:

1. 42 Companies make no comment.

2. 1 Comments adversely on account of impracticability; no mention of principle.

3. 7 Companies comment adversely declaring the principle to be fallacious.

4. 1 Company commends the principle but declares the scheme impracticable.

5. 9 Companies commend the principle.

6. 3 Companies commend the principle and recommend national classification requirements.

7. 2 Companies make suggestions as to classifications, etc.

Mr. Young: Mr. President, I move the adoption of that resolution. I think that it is a very proper thing to do. That investigation is one we may well undertake.

The Chair: You have heard the report of the Executive Committee with reference to the matter of a special committee to be appointed for the purpose of ascertaining the feasibility of having fire companies adopt a uniform system of classifying their risks. Are there any remarks?

Motion was duly seconded and carried unanimously.

The Secretary: I also present the following report from the Executive Committee:

"Resolved, That the Executive Committee be directed to ascertain whether any department, or departments, of the Federal government are in position to render assistance and co-operation to the work of this Convention, and the extent to which such assistance and co-operation can be secured.

C. A. Palmer, Chairman;
F. H. McMaster,
Burton Mansfield,
Willard Done,
H. L. Ekern,
James R. Young,
F. H. Hardison,
Henry D. Appleton."

The Chair: You have heard the resolution read, which is presented by the Executive Committee with reference to ascertaining whether the departments of the Federal government will co-operate with this Convention in the work of obtaining information which may be of interest to both. What is your pleasure in reference to this matter?

Mr. Young: I move that that report be accepted and that the resolution recommended be adopted. That is a matter we are investigating for the purpose of seeing if we cannot obtain certain information.

Motion duly seconded and adopted unanimously.

Mr. Preus: Mr. President, the Committee on Laws and Legislation presents the following report:

"The Committee on Laws and Legislation recommends that the bill hereto attached, entitled 'An Act Concerning Insurance Companies and Their Agents, Prohibiting Rebating, Discrimination, Twisting and Embezzlement,' be adopted in such States as have not at this time laws adequately prohibiting the practices referred to in the proposed bill.

J. A. O. Preus,
Frank H. Hardison,
Burton Mansfield,
Herman L. Ekern,
Charles Johnson,
Henry D. Appleton,
C. A. Palmer,
Clement L. Brumbaugh."

An Act Concerning Insurance Companies and Their Agents, Prohibiting Rebating, Discrimination, Twisting and Embezzlement.

Be it enacted by the General Assembly of the State of

Section 1. Rebating Prohibited.—No insurance company by itself or any other party, and no insurance agent, solicitor or broker, personally or by any other party, shall offer, promise, allow, give, set off or pay, directly or indirectly, any rebate of, or part of, the premium payable on the policy, or on any policy, or agent's commission thereon, or earnings, profits, dividends or other benefit founded, arising, accruing, or to accrue thereon or therefrom, or any other valuable consideration or inducement to or for insurance, on any risk in this State now or hereafter to be written, which is not specified in the policy contract of insurance; nor shall any such company, agent, solicitor, or broker, personally or otherwise, offer, promise, give, sell or purchase any stock, bonds, securities or property, or any dividends or profits accruing or to accrue thereon, or other thing of value whatsoever as inducement to insurance or in connection therewith which is not specified in the policy. The license of the insurance agent, solicitor or broker; or other person, found by the Commissioner of Insurance, after hearing, to have violated the provisions of this section shall be revoked and no license shall be issued to such agent, solicitor or broker within one year from the date of the revocation of the license. No insured person or party shall receive or accept, directly or indirectly, any rebate of premium or part thereof, or agent's, solicitor's or broker's commission thereon payable on the policy, or on any policy of insurance, or any favor or advantage or

share in the dividend or other benefits to accrue thereon, or any valuable consideration or inducement, not specified in the policy contract of insurance; the amount of insurance whereon the insured has received or accepted, either directly or indirectly, any rebate of the premium or agent's, solicitor's or broker's commission thereon, shall be reduced in such proportion as the amount or value of such rebate, commission, dividend or other consideration so received by the insured, bears to the total premium on such policy, and any such insured, in addition to having the insurance reduced, shall be guilty of a misdemeanor, and, upon conviction thereof, shall be sentenced to pay a fine of not more than

Sec. 2. Misrepresentation and Twisting.—No insurance company or any officer, director, agent, broker or solicitor thereof shall issue, circulate or use or cause or permit to be issued, circulated or used, any estimate, statement or circular misrepresenting the terms of any policy issued or to be issued by such company, or misrepresenting the benefits or privileges promised under any such policy. No insurance company, officer, director or agent thereof shall make any misrepresentation, oral, written or otherwise, to any person insured in another company for the purpose of inducing or tending to induce such person to take out a policy of insurance, or for the purpose of inducing or tending to induce a policyholder in any other like company to lapse, forfeit or surrender his insurance therein. Any insurance agent, solicitor or broker, or any person violating the provisions of this section of this act, shall be disqualified from acting as an insurance agent or broker for the period of at least one year thereafter.

Sec. 3. Testimony.—No person shall be excused from testifying, or from producing any books, papers, contracts, agreements or documents at the trial or hearing of any person or company charged with violating any provisions of Sections 1 and 2 of this act on the ground that such testimony or evidence may tend to incriminate himself, but no person shall be prosecuted for any act concerning which he shall be compelled so to testify or produce evidence, documentary or otherwise, except for perjury committed in so testifying.

Sec. 4. Embezzlement by Agents.—An insurance agent or broker who acts in negotiating or renewing or continuing a contract of insurance by an insurance company lawfully doing business in this Commonwealth, and who receives any money or substitute for money as a premium for such a contract from the insured, shall be deemed to hold such premium in trust for the company making the contract. If he fails to pay the same over to the company after written demand made upon him therefor, less his commission, and

any deductions to which by the written consent of the company he may be entitled, such failure shall be prima facie evidence that he has used or applied the said premium for a purpose other than paying the same over to the company, and upon conviction thereof he shall be deemed guilty of larceny and punished accordingly.

Mr. Preus: I move the adoption of the report.

The Chair: The Commissioner from Minnesota moves the adoption of this bill. Do you wish to discuss the bill proposed?

Motion was duly seconded and adopted unanimously.

Mr. Preus: The Committee on Laws and Legislation presents the following report:

The Secretary read the report, as follows:

"The Committee on Laws and Legislation makes the following report on discrimination in fire insurance rates:

Your committee reports that it is in accord with the views expressed by Auditor Barton in his paper read before the Convention, and we believe that most of the evils and infirmities found in the business of fire insurance are due to discrimination in some form.

We do not believe it possible to present as a part of this report for the action of this Convention a proper uniform anti-discrimination law at this time, but we are strongly of the opinion that the preparation of such a bill along the lines indicated in Auditor Barton's paper should be referred to the Committee on Laws and Legislation, and that a uniform bill of this character should be prepared and presented to this Convention or the members thereof at its next session.

Your committee is of the opinion that it is only by some uniform action of this kind that a fair and equitable distribution of the premium charge of fire insurance in this country can be secured and that it is highly important that such equality of distribution be brought about not only within the borders of single States, but that proper premium adjustment be secured as between the several States and over the whole field of operation.

Your committee therefore recommends that the subject of a uniform anti-discrimination law be referred again to this committee for such action and report as the conditions above indicated appear to warrant.

J. A. O. Preus,
Frank H. Hardison,
Barton Mansfield,
Charles Johnson,
Henry D. Appleton,
C. A. Palmer,
Clement L. Brumbaugh.

On account of my connection with pending legislative investigation in Wisconsin, I only join in recommendation of the last paragraph.

H. L. Ekern."

The Chair: You have heard this report of the Committee on Laws and Legislation. What is your pleasure?

Mr. Done: I move that the report be adopted.

Motion duly seconded and carried.

Mr. Preus: Mr. Chairman, the Committee on Laws and Legislation submits the following report, and moves its adoption:

The Secretary read the report, as follows:

"The Committee on Laws and Legislation recommends that action by the Convention relative to resident agent laws be deferred until the next adjourned meeting of the Convention.

J. A. O. Preus,
Frank H. Hardison,
Burton Mansfield,
Herman L. Ekern,
Charles Johnson,
Henry D. Appleton,
C. A. Palmer,
Clement D. Brumbaugh."

Motion duly seconded and adopted.

Mr. Preus: The Committee on Laws and Legislation presents the following report, and moves its adoption:

The Secretary read the report, as follows:

"The Committee on Laws and Legislation requests that copies of the proposed bill relating to the regulation and supervision of investment companies and all other companies, and also that copies of the proposed bill relating to rebating, discrimination and twisting and embezzlement be forthwith printed and distributed among all Supervisors of Insurance.

J. A. O. Preus,
Frank H. Hardison,
Burton Mansfield,
Herman L. Ekern,
Charles Johnson,
Henry D. Appleton,
C. A. Palmer,
Clement D. Brumbaugh."

Motion duly seconded and adopted.

Mr. Preus: The Committee on Laws and Legislation presents the following report:

The Secretary read the report, as follows:

"In presenting as a part of this report a draft of a bill now being considered for the supervision and control of insurance corporations while in process of formation, it is not the purpose of the committee to discourage the organization of companies or the engagement of capital in the business of insurance.

On the contrary, capital should be encouraged to these investments, particularly in fire insurance, because the need for greater fire insurance facilities in this country is thoroughly understood by every student of our industrial and commercial evolution.

Your committee is very strongly of the opinion that it is the imperative duty of this Convention of supervisory officials to adopt and recommend to the Legislatures of the several States a bill which, if it becomes law, will clothe some department in each State with full supervisory control and authority over all corporations while in process of formation and all holding, promoting or subsidiary agencies of every kind, which are to engage directly or indirectly in the business of insurance.

Perhaps no abuse in recent years has been productive of more financial loss than the sale of stock in wildcat insurance enterprises, and the most glaring misrepresentations of the profits of insurance are being circulated through every postoffice in the country, and most of the State insurance officials are powerless to officially and effectively dispute the false statements or punish the frauds for lack of a law under which to operate.

Most of life insurance is upon the mutual plan and the profits belong to the members, and the profits of stock life insurance exploited by the "Blue Sky" literature were made under conditions which do not now exist and will probably never again be possible.

Stock fire insurance in fifty years of operation has not made an underwriting profit of five per cent. annually, and for the past ten years has shown an underwriting loss of one-half of one per cent., and as shown by the statements of 180 companies reporting to the New York department, the underwriting profit for 1911 was sixty-six hundredths of one per cent.

With these facts in view and with knowledge of the gross misrepresentations being circulated to induce our people to invest in insurance enterprises with a certainty that a considerable portion of the investment will be absorbed in promotion expenses, we favor the enactment of legislation in the various States to protect their citizens against these abuses.

The bill submitted herewith is so drafted as to regulate and control all promotions. Some of the departments may feel that the supervisory control which they should assume should be

limited to insurance promotion. In that event a reference to the existing New York law and to the bill of this year introduced in the New York Legislature, which passed the Assembly and reached a third reading in the Senate, will furnish any department with the necessary information for the preparation of a bill of this limited character.

Your committee has given a great deal of consideration to a bill prepared along the lines of the Kansas "Blue Sky Law," though substantially modified and requiring further consideration and perhaps still further modification. The bill as now being considered is as per attached copy.

Your committee requests the necessary authorization from the Convention to give additional consideration to a completed measure to be reported to this Convention at its adjourned meeting in December.

J. A. O. Preus,
Frank H. Hardison,
Burton Mansfield,
Herman L. Ekern,
Charles Johnson,
Henry D. Appleton,
C. A. Palmer,
Clement D. Brumbaugh."

A Bill Entitled An Act to Provide for the Regulation and Supervision of Investment and Other Companies.

(Enacting clause to comply with the laws of the State.)

Section 1. Every corporation, company, copartnership or association, all of which are in this act termed company, organized, proposed to be organized, or which shall hereafter be organized within or without this State, whether incorporated or unincorporated, which shall in this State sell or negotiate for the sale of any stocks, bonds or other evidences of property or interest in itself or any other company, all of which are in this act termed securities, upon which sale or proposed sale the whole or any part of the proceeds are used, or to be used, directly or indirectly, for the payment of any commissions or other expenses incidental to the organization or promotion of any such company, shall be subject to this act.

Sec. 2. Before offering or attempting to sell any such securities to any person or persons, doing or offering to do any business whatever in this State, excepting that of preparing the documents hereinafter required, every such company, domestic or foreign, shall file in the office of the _____ officer of this State, together with a filing fee of _____ dollars, the following

documents, to wit: A statement showing in full detail the plan upon which it proposes to transact business. A copy of all applications for and forms of contracts, securities, bonds or other instruments which it proposes to make with or sell to its contributors. A statement which shall show the name, location, and the head office of the company and an itemized account of its actual financial condition, and the amount of its property and liabilities, and such other information and in such form touching its affairs as said officer may require. If it shall be a company organized under the laws of any other State, Territory or government, incorporated or unincorporated, it shall also file with the said officer a copy of the laws of such State, territory or government under which it exists or is incorporated, and also a copy of its charter of its home State and certificate of the proper officer of such State that it is authorized to do business therein, articles of incorporation, constitution and by-laws and all amendments thereof which have been made, and all other papers pertaining to its organization.

Sec. 3. Every such company shall file a power of attorney making the said officer the attorney of the said company for the service of all process which may be issued against the said company, which said power of attorney shall be irrevocable.

Sec. 4. No advertisement, pamphlet, circular or other document shall be issued, circulated or delivered by such company, or its agent, within this State unless the same shall bear a serial number and a copy thereof shall first have been filed with such officer, nor after such company has been notified of objection thereto by said officer.

Sec. 5. No person for the purpose of organizing or promoting any company, or promoting the sale of securities of such company by it after organization as principal or agent, shall sell or agree or attempt to sell within this State any securities in such company unless the contract of subscription or of sale shall be in writing and contain a provision in the following language:

(b) "No sum shall be used for commission, promotion and organization expenses on account of any share of stock in this company in excess of _____ per cent. of the amount actually paid upon separate subscriptions (or in lieu thereof there may be inserted, or \$ _____ per share from every fully paid subscription) for such securities, and the remainder of such payments shall be held or invested as authorized by the law governing such company and held by the organizers (or trustees as the case may be), and the directors and officers of such company after organization as bailees for the

subscriber, to be used only in the conduct of the business of such company after having been licensed and authorized therefor by proper authority."

Funds and securities held by such organizers, trustees, directors or officer as bailees shall be deposited with any bank or trust company of this State until such company has been licensed as aforesaid.

Sec. 6. No person shall participate in, receive or accept any part or promise of any part of any of the commissions or rewards of any organizer, promoter or agent for the sale of any such securities, unless the name of such person and the fact of his interest in such commissions or rewards shall appear upon such contract of subscription. The omission of such statement from any such contract shall, in addition to the penalty herein provided, make such person liable to the purchaser or his assignees for all sums paid by such purchasers with interest at the legal rate from date of payment, upon the assignment or tender of assignment of the securities so purchased.

Sec. 7. The said officer shall have power to make such examinations of said company at its expense, including actual expenses and the per diem of the examiners of dollars, and to require such further information as he may deem advisable, and if he shall find that the provisions of law have been complied with and is satisfied that the said company is safe and solvent and that its business is proper and legitimate and is so conducted, he may license the said company to transact business in this State upon the payment of a license fee of dollars; and no such company or representative thereof shall transact or offer to transact business within this State unless a license shall have been issued to such company as aforesaid. Such license shall recite in bold type that the said officer in nowise recommends the securities to be offered for sale by such company.

Sec. 8. No such company shall transact or offer to transact any business within this State during any time after the adoption of any change in its articles of organization, by-laws or plan of doing business, or the making of any change in the form of its applications, or other contracts, before the same shall have been filed with such officer.

Sec. 9. No person shall transact or offer to transact business in this State as agent for such company, or transact or offer to transact any business described in this act unless such person shall hold a license issued by such officer. Such license shall only issue upon filing with such officer by such agent a bond in the sum of one thousand dollars with such conditions and sureties as may be

required and approved by such officer. Such license shall expire on the first day of _____ following, unless said authority is sooner revoked by the said officer, and such authority shall be subject to revocation at any time by the said officer for cause appearing to him sufficient. The fee for such agents' license shall be _____ dollars.

Sec. 10. Every company shall on or before the first day of March file with such officer a statement as of the 31st day of December preceding in such form as required by him, and such other statements and information shall be filed in such form and within such time as may be required by such officer.

The accounts of such company shall be kept in such form as required by such officer.

Sec. 11. No such company shall fail to comply with any provision of the law or any requirement of any such officer made pursuant to law, and no officer, employee or agent of any such company shall make or cause to be made any false statement in any report required of him, or a false entry in any book of such company, or exhibit any false paper with the intention to deceive any person authorized to examine into the affairs of such company, or shall make or publish any false statement of its condition or regarding its securities; and upon any violation of this section such officer may revoke its license to transact business in this State.

Sec. 12. Any officer or agent of any such company knowingly or wilfully violating any provision of this act shall be punished by a fine of not exceeding _____ dollars or by imprisonment in _____ for not exceeding _____, or by both such fine and imprisonment.

Sec. 13. All fees herein provided for shall be collected by the said officer and by him shall be turned into the State treasury, and all fees so turned into the State treasury are hereby reappropriated to the said officer for the purpose of paying all salaries and expenses necessary for carrying this act into effect; and the said officer is hereby authorized to appoint such clerks and deputies as are actually and absolutely necessary to carry this act into full force and effect. All money actually and necessarily paid out by the said officer to any clerk or deputy appointed under this act, as salaries, or any money actually and necessarily paid out by the said officer or by any deputy or clerk appointed under this act for traveling or incidental expenses shall be paid by the State Treasurer out of such fees upon the State Auditor's warrants, to be issued upon vouchers containing an itemized account of such salaries or expenses.

Sec. 14. This act shall take effect and be in force from and after its passage.

Mr. Palmer: I move the adoption of the report.

Motion duly seconded, and adopted unanimously.

Mr. Potter: I notice the last clause is practically what is called an emergency clause. That requires, in some States, a two-thirds vote of the General Assembly of each house. I assume that there would be no objection if in some cases that particular clause were removed permitting the act to go into effect at the regular time. For instance, in Illinois all acts go into effect July 1st immediately following the passage of the act, unless there is an emergency clause. While we might desire the emergency clause in order to put an act into effect at once, I can see no objection to removing it if it was felt that it would be difficult or impossible to pass it by a two-thirds vote. I favor uniformity if possible, but see no objection to making that slight change if it is thought desirable.

The Chair: The Chair assumes that there would be no objection to making that change.

Mr. Palmer: I noticed that last clause of the bill, and in Michigan it would be impossible to give the law immediate effect except by a two-thirds vote of the Legislature, and then only if it was decided that the law was for the peace of the State, and it would be rather doubtful whether we could do that. I can see no objection to having that clause in there, and let each State add such clause at the end of the bill as they desire.

Mr. Done: In my State that is taken care of automatically, because if the emergency clause is in and a two-thirds vote is not obtained, the effect is, if the law is passed by a majority, to eliminate the emergency clause. The bill is not endangered at all by the emergency clause.

Mr. Ekern: I think it should be understood with reference to any recommendations looking to uniform legislation that the practices and statutory definitions of the various States will be complied with. Now, there are other provisions in this bill which must be changed in various States. For instance, the provision with regard to the payment of expenses—the appropriation fund—that will, perhaps, have to be changed in nearly every State to conform with the practices of those States with regard to auditing and the payment of bills. I think that this should be understood to apply to every recommendation for uniform legislation.

Mr. Clayton: I would like to have the first section of the bill read again.

The Secretary read the section as requested.

Mr. Clayton: I think there should be some little modification made in the wording in regard to the expenses of organization. I

cannot conceive of a company that can be organized that would not come under the heading of this bill, because they have their incorporation papers to pay for, they have their attorneys fees, they have a secretary and a stenographer, and they have a president, all of which they pay for, and it seems to me that under the wording of this bill you are simply throwing out a dragnet that will take in every corporation that is organized in every State. I don't believe that was the intention.

Mr. Preus: I would say in regard to that that it was specifically the intention to embrace every corporation where there is any money to be made by anyone incidental with the organization of the company. It is very easy to stop those that should not be permitted to do business in this way, and we want to cover them all so that everybody would have to go to the supervising officer and find out whether or not he can proceed in the manner he proposes.

Mr. McMaster: I would like to ask Mr. Preus if Mr. Clayton's objection is not covered in Section 5?

Mr. Preus: I would also like to say in regard to this bill that the report submitted with the bill indicates that it is more or less tentative. There will be another report submitted asking that this bill be printed immediately and circulated among the Commissioners, and the Commissioners will each then receive a copy in order that they may consider it, and any suggestions that they may wish to offer may be submitted at the adjourned session of the Convention, whenever that may be determined upon.

The motion was duly seconded and adopted.

At this point in the proceedings President Potter resumed the Chair, Vice President Hardison retiring.

Mr. Appleton: Mr. President, I desire to submit the report of the Committee on the Valuation of Securities, which shows the receipts from all departments, excepting New York, for the printing of the pamphlets to be \$3,800. The balance of the disbursements, amounting to \$2,952.97, has been taken care of by New York. The disbursements consist of two items, one of \$5,000 to Marvyn Scudder, the expert appraiser employed, and the other of \$1,752.97 to J. B. Lyon & Co., for printing the valuation lists in book form.

The Secretary read the report, as follows:

"The Committee on Valuation of Securities submits the following report for the past year:

In accordance with the action of the 1911 Convention, there was again prepared and issued a pamphlet giving the valuation of securities held by insurance companies as of December 31, 1911. This pamphlet contained 663 pages, as compared with 589 for the

year previous, and was issued and distributed to the various State departments and insurance companies on January 16, 1912, twelve days earlier than the pamphlet of the previous year. For this work the committee again retained Marvyn Scudder, Esq., of the Investors' Agency, Inc., 55 Wall street, New York city. It agreed to pay him the sum of \$5,000. Mr. Scudder furnished the valuations in the pamphlet and agreed, in addition, to supply, up to November 1, 1912, valuations to the various State Insurance Departments in connection with examinations of insurance companies as of dates other than December 31, 1911.

As previously, the committee has requested the departments to contribute to the expenses of this work, and such of the departments as had appropriations available have so done.

The following is a statement of the contributions received from various States, and payments made to Mr. Scudder and J. B. Lyon Company, in connection with the publication of 'Valuation of Securities' pamphlet:

Receipts.

Alabama	\$ 100 00
Colorado	50 00
Connecticut	200 00
Iowa	40 00
Kentucky	100 00
Massachusetts	1,500 00
Michigan	100 00
Missouri	150 00
North Carolina	100 00
Pennsylvania	500 00
Rhode Island	150 00
South Carolina	100 00
Tennessee	150 00
Texas	100 00
Utah	10 00
Virginia	200 00
West Virginia	50 00
Wisconsin	200 00

Total contributions of other State departments.....	\$3,800 00
New York, balance to close disbursement account.....	2,952 97

Disbursements.

Marvyn Scudder—contract for valuations, etc.....	\$6,752 97
J. B. Lyon Co.—printing Valuation book.....	\$5,000 00
	1,752 97

\$6,752 97

Recommendations.

The committee believes that this work should be continued and therefore asks authority to proceed for this year as it did last. It is hoped, however, that the Commissioners who have not had appropriations available in the past will ask their Legislatures for such appropriations, this work being for the benefit of all of the States, and if possible all the States should share in the expense incident thereto.

Respectfully submitted,

W. T. Emmet, Chairman;
Frank H. Hardison,
Charles Johnson."

Mr. Appleton: I move the adoption of the report.

The President: You have heard the report of the Committee on the Valuation of Securities. Are there any remarks:

Mr. McMaster: As one of the smaller contributors to this fund I wish to say to a number of the Commissioners from States like mine that I believe there is no more valuable work done by this Convention than the publication of that list of securities. I find that it has helped me in my State immeasurably in having the securities such as State, county and municipal bonds listed there. It gives them a permanent and fixed value and opens up a market for them in other ways than insurance. And I would urge upon every Commissioner, and especially those Commissioners in the smaller States, that they co-operate most earnestly in this matter, even if they are unable to make contributions in money, by furnishing the committee with a list of all securities held by all the companies in their States in order that they may be included in this book—this list of securities. Because this list is a standard throughout the United States, and when a security is listed in there it is accepted by every Insurance Department and by every bank in the United States.

The President: I find in looking over the list of States which have contributed that quite a number have not contributed, including my own State, which was an oversight. I will send a check for \$300 when I get home. Now, gentlemen, if there are any representatives of States that would like to contribute to this, the present would be a good time to say so. New York has paid out \$2,952.97. I will send a check for \$300, which will reduce that to \$2,652.97. If any of you have any appropriation available and have not contributed to the cost of this publication it would be well now to say what you are willing to do.

Mr. Clayton: What has Colorado contributed?

The President: Fifty dollars from Colorado.

Mr. Ferguson: Is Oregon down there?

The President: Oregon has not contributed; no.

Mr. Deavitt: Mr. President, I think I suggested a year ago that if part of this expense could be apportioned among the departments with the other expenses of the Convention, that there would be no trouble in Vermont sharing, but that the way our appropriation is made up it is a question whether the Auditor of our State would allow it as a contribution, that is, as a voluntary contribution. We have, I think, \$20 left from our appropriation over and above what we have already paid as an assessment last year, and when I return home I will take the matter up with our Auditor and see if he will allow any balance that there may be to be used toward these expenses, and if he will, I shall see that it is turned over, and hereafter I will try and see that we participate in that expense.

Mr. Brumbaugh: I will state that I will investigate the matter upon my return to Ohio, and if it is possible, we shall be pleased to do our share. Our appropriation, however, is no larger now than it has been for several years past, and I doubt very much if we can do much, if anything, but we will do what we can.

Mr. Appleton: **The Committee on Blanks** held its usual meeting in New York city on May 14th, when certain modifications were decided upon, which were not of a material nature. A copy of the report of its proceedings was sent to the Executive Committee and was approved by that committee, such approval making it the act of this Convention. The committee's report was addressed to Chairman Palmer of the Executive Committee, and a copy of it was transmitted to all the departments with a communication from the Committee on Blanks under date of June 18th. All the departments, therefore, have been notified of all changes and modifications in the blanks for this year. There is one question, however, left open at the committee meeting. I have here copies of this report if any gentleman desires to look it over.

In the communication of May 27th addressed to Chairman Palmer appears the following:

"On motion, a subcommittee was appointed by the Chairman, consisting of the representatives from Wisconsin, Ohio and Illinois, to prepare a reserve valuation blank for fraternal associations. A tentative schedule was submitted and discussed in a general way by the committee. It was determined that copies thereof should be prepared and furnished to all members of the committee for review; that members should forward any suggestions for modifications to the Chairman of the committee. The schedule then to have the attention of the subcommittee of the Committee on Blanks, and as perfected by such subcommittee, be

printed and sent to all departments, and to be acted upon at the Spokane Convention."

Further on in this letter appears the following:

"The Chairman appointed as such subcommittee the representatives from New York, Connecticut and Massachusetts."

Various returns were received and were considered by that subcommittee, and that subcommittee brought all the information and facts that they had gathered to this Convention, and at this Convention we have had the assistance of the other members of the original subcommittee, namely, Wisconsin, Ohio and Illinois. This schedule has again been reviewed, and we were fortunate enough to be able to have it printed. Copies of such schedule are here on the desk. The committee requests that this schedule be accepted by the Convention as a tentative schedule, and be again referred to the Committee on Blanks for further consideration, so that the fraternal associations interested in the schedule may have an opportunity for a hearing; and when the schedule is perfected, as it will be some time before December, the Committee on Blanks will then follow the usual procedure by referring it to the Executive Committee, who can make it the schedule of the Convention.

The President: You have heard the report of Chairman Appleton, of the Committee on Blanks. Any remarks or discussion?

Mr. Hardison: This would postpone the printing of this schedule until after the next December meeting of the Convention, and it would postpone it beyond the time when some of the departments usually have their blanks printed. Why would it not be better to have the Committee on Blanks report to the Executive Committee and the Executive Committee have authority to adopt such a report, even previous to the December meeting, if they saw fit?

Mr. Appleton: That is just my suggestion. The Convention will probably meet some time in October, and will probably be able to submit to the Executive Committee what we believe to be a proper blank some time in November, and in that way we will be able to place copies of this schedule, as it is finally approved, in possession of all the departments not later than December 15th.

Mr. Hardison: That will be too late to have it printed with the regular blank.

Mr. Appleton: It will not go into the regular statement blank. This is a separate and distinct schedule. It is a question whether this schedule will be anything more than for the information of the departments. The Mobile Bill does not contemplate that this schedule shall be anything more than one for the information of the departments. Fraternal orders are not required to give to their members the information shown by this schedule until after December 31, 1913.

Mr. Hardison: I assume that the departments would like to send this schedule out at the same time that they send out the regular blanks.

Mr. Appleton: I believe we can place in the hands of all the departments on or before the first day of December a perfected schedule, if this schedule is to be modified.

Mr. Palmer: In accordance with the request of Chairman Appleton, I move that this schedule submitted by the Committee on Blanks be accepted by the Convention as a tentative schedule, and that it be again referred to the Committee on Blanks for further consideration.

Motion duly seconded and adopted unanimously.

"Albany, N. Y., June 18, 1912.

The following is the report of the Committee on Blanks of the National Convention of Insurance Commissioners for 1912. It has been submitted and approved by the Executive Committee, such approval making it the report of the Convention. It will be seen that no changes except necessary changes of date have been made in any of the statement blanks with the exception of 'Schedule P' of the life blank referred to in the report; thus the annual statement blanks for December 31, 1912, will remain unchanged except as above indicated:

Albany, N. Y., May 27, 1912.

To the Honorable C. A. Palmer, Chairman of the Executive Committee of the National Convention of Insurance Commissioners:

Sir: The Committee on Blanks herewith submits the following report of the proceedings of its meeting, held at the Hotel Manhattan, in New York city, beginning on Tuesday, May 14, 1912:

A letter from Mr. J. M. Hare was read in which he advocated allowing companies to file with the departments printed annual statements. This letter was discussed, and it was the sense of the committee that the Chairman answer the letter, refusing the requested permission.

The Fire Blank was taken up and after consideration it was resolved to make no changes therein except the necessary change of dates.

The Life Blank was discussed and passed, no change being made therein except the necessary changes of dates and the correction of 'Schedule P' to show each year separately from 1912 back twenty years to 1893, inclusive, the years prior to 1893 to be covered in a single line as follows: 'Prior to 1893.'

The Fraternal and Assessment Life and Accident Blanks were considered and passed without change except as to dates.

Miscellaneous Blank: A special committee of the International Association of Casualty and Surety Underwriters was heard on the matter of changing page 7 of the annual statement blank so far as it relates to premium returns by making the column now headed 'Gross premiums less return premiums on risks written or renewed during the year' to read 'Net cash received for premiums.' The argument advanced was that the proposed change might be helpful in States not having a special blank for tax returns. The special committee also asked that credit be allowed the companies for the unearned portion of liability premiums in course of collection over three months due, either as a reduction from the unearned premium liability, or that an item be placed in nonledger assets covering the matter. It also recommended allowing the companies to report their bond valuations on the amortized basis. After extended discussion the committee decided to make no change in the present blank.

The special accident and health claim schedule was considered and the sense of the committee was that it should be so changed as to cover the full year and continued for 1912.

On motion, a subcommittee was appointed by the Chairman, consisting of the representatives from Wisconsin, Ohio and Illinois, to prepare a reserve valuation blank for fraternal associations. A tentative schedule was submitted and discussed in a general way by the committee. It was determined that copies thereof should be prepared and furnished to all members of the committee for review. That members should forward any suggestions for modifications to the Chairman of the committee. The schedule then to have attention of the subcommittee of the Committee on Blanks and as perfected by such subcommittee be printed, sent to all departments and to be acted upon at the Spokane Convention.

The following resolutions were offered and adopted:

1. That the Chairman be authorized to appoint a subcommittee of three with power to act upon such matters as demand immediate attention, and to have such general powers with respect to blanks as have heretofore been exercised.

(The Chairman appointed as such subcommittee the representatives from New York, Connecticut and Massachusetts.)

2. That it be the custom of the Committee on Blanks to meet annually in New York city during the same week that the meeting of the Actuarial Society of America is held.

3. That companies desiring to submit any proposed changes in the annual statement blanks for the consideration of the committee be requested to submit such changes in writing to the Chairman of the committee not later than the 15th day of April next preceding

any annual meeting of the committee, and that so far as possible the departments conform to this requirement.

4. That pursuant to the suggestion made at the adjourned meeting of the Convention held at Chicago on April 22, 1912, the committee recommends that the Convention require the separation of liability and workmen's compensation premiums and losses in the annual statements of companies writing those classes of risks, and that such separation be made by those companies beginning January 1, 1913 (companies to be advised of this requirement).

The matter of a Mutual Fire Statement Blank was discussed informally by the committee, and it was stated that Wisconsin, Illinois and New York would use for the 1912 returns of such companies the statement blank now used by Massachusetts, Connecticut, Maine and Rhode Island as a step preliminary to a recommendation to the Convention looking to the adoption of a mutual fire statement blank by that body.

Respectfully submitted,

Henry D. Appleton, Chairman;
S. E. Stillwell,
R. E. Ankers,
I. E. Lang,
H. Pierson Hammond,
George Graham, Jr.,
Felix Hebert,
L. A. Anderson,
L. G. Hodgkins,

Committee on Blanks."

The Secretary: I would like to read the report of the Secretary, and ask that his books be audited.

Report of Secretary of the National Convention of Insurance Commissioners for the Period Ending August 1, 1912.

Receipts by H. R. Cunningham, former Treasurer.

1911.

Sept. 14.	Balance brought forward.....	\$ 619 08
	Received from Ins. Dept. of Oregon.....	80 00
	Received from Ins. Dept. of Missouri.....	80 00
	Received from Ins. Dept. of Pennsylvania.....	80 00
	Received from Ins. Dept. of Connecticut.....	80 00
	Received from Ins. Dept. of West Virginia.....	80 00
	Received from Ins. Dept. of Alabama.....	80 00
	Received from Ins. Dept. of Massachusetts.....	80 00
18.	Received from Ins. Dept. of Illinois.....	80 00
	Received from Ins. Dept. of Virginia.....	80 00
	Received from Ins. Dept. of Maryland.....	80 00

Sept.	18.	Received from Ins. Dept. of Louisiana.....	\$ 80 00
	21.	Received from Ins. Dept. of Michigan.....	80 00
	22.	Received from Ins. Dept. of Washington.....	80 00
	23.	Received from Ins. Dept. of Rhode Island.....	80 00
	25.	Received from Ins. Dept. of Kentucky.....	80 00
		Received from Ins. Dept. of Texas.....	80 00
	30.	Received from Ins. Dept. of Wisconsin.....	80 00
Oct.	3.	Received from Ins. Dept. of Colorado.....	80 00
		Received from Ins. Dept. of Wyoming.....	80 00
		Received from Ins. Dept. of South Carolina....	80 00
		Received from Ins. Dept. of Utah (1910 assess- ment)	40 00
	5.	Received from Ins. Dept. of Iowa	80 00
	10.	Received from Ins. Dept. of Ohio.....	80 00
	13.	Received from Ins. Dept. of Minnesota.....	80 00
	23.	Received from Ins. Dept. of New Hampshire...	80 00
	31.	Received from Ins. Dept. of New York.....	80 00
		Received from Ins. Dept. of Maine.....	40 00
Nov.	3.	Received from Ins. Dept. of Tennessee.....	80 00
		Received from Ins. Dept. of California.....	80 00
	25.	Received from Ins. Dept. of Vermont.....	80 00
	29.	Received from Ins. Dept. of Oklahoma.....	80 00
Dec.	9.	Received from Ins. Dept. of New Mexico.....	80 00
	16.	Received from Ins. Dept. of Montana.....	80 00
	27.	Received from Ins. Dept. of North Carolina....	60 00
1912.			
Jan.	10.	Received from Ins. Dept. of Delaware.....	80 00
Feb.	13.	Received from Ins. Dept. of Texas.....	80 00
	19.	Received from Ins. Dept. of Nebraska.....	80 00
Mar.	1.	Received from Ins. Dept. of Utah.....	40 00

Grand total received by former Treasurer H. R.

Cunningham\$3,519 08

Disbursements by Former Treasurer H. R. Cunningham.

1911.

Aug.	25.	Cannon Printing Company, Milwaukee.....	\$ 412 00
		A. W. Shaw, account reporting.....	100 00
	30.	H. R. Cunningham, account salary 1911-1912....	50 00
Sept.	11.	M. J. Wood, Milwaukee, telegrams.....	2 30
		M. E. Senient, postage.....	10 00
Oct.	5.	State Pub. Co., letterheads.....	4 50
		A. W. Shaw, balance reporting.....	250 00
		George Donaldson, reporting, Detroit.....	103 02
		Jas. C. Marriott, reporting, New York.....	198 00

PROCEEDINGS.

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Oct.	5.	H. R. Cunningham, account salary 1911-1912.....	\$ 50 00
		American National Bank, refund Texas.....	80 00
		F. W. Potter, President's printing.....	7 50
Nov.	17.	Northern Pacific Express.....	40 56
Dec.	2.	Northern Pacific Express.....	8 76
	11.	State Pub. Co., proceedings.....	405 00
		State Pub. Co., resolutions.....	9 00
		Postal Tel. Co., telegrams.....	1 45
	27.	J. R. Young, Chairman Committee on Examinations	74 75
	30.	Postage, C. M. McCoy.....	3 60
1912.			
Jan.	9.	J. B. Lyon Co., printing Volume 2.....	1,108 00
	25.	Western Union Tel Co.....	7 24
		J. B. Lyon, press bulletins Executive Committee	50 64
		Houghton-Jacobson Co., Detroit, printing.....	6 50
		American Express Co., Albany.....	83 05
		National Express Co., Albany.....	21 78
	29.	H. R. Cunningham, account second half salary..	25 00
Feb.	2.	Northern Express	1 18
	14.	Northern Express	2 20
	15.	Postage Secretary	1 20
Mar.	2.	Boxing, drayage, etc.....	2 00

Total disbursements by former Treasurer H. R. Cunningham\$3,119 23
 Balance cash turned over to F. H. McMaster, Treasurer 399 85

\$3,519 08

Receipts by F. H. McMaster, Secretary.

1912.			
Mar.	7.	Received from H. R. Cunningham, Treasurer...	\$ 399 85
April	1.	By interest on deposit, savings bank.....	90
May	31.	By 1911 assessment, Ins. Dept. of Kansas.....	80 00
July	1.	By interest on deposit, savings bank.....	3 60
Total			<u>\$ 484 35</u>

Disbursements by F. H. McMaster, Secretary.

1912.			
Mar.	9.	To exchange of check deposited.....	\$ 75
	29.	J. R. Young, Chairman Examinations Committee	47 75
April	2.	Postage and telegrams.....	1 00
	27.	F. W. Potter, President, account printing.....	6 00

May 13.	The State Co., printing minutes, Chicago.....	\$ 9 00
	17. Expressage Boston & W. Va. H. R. C.....	1 32
June 1.	Exchange of Kansas check.....	25
July 3.	F. H. McMaster, salary for period.....	75 00
	Postage and expressage.....	5 00
		<hr/>
		\$ 152 07
	Balance cash on hand.....	332 28
		<hr/>
		\$ 484 35

The President: The report of the Secretary will be referred to the Executive Committee for the purpose of audit, and the Chair would suggest that Chairman Palmer appoint a subcommittee to attend to that work.

The Secretary: **The Committee on Publicity and Conservation** has submitted the following report:

"The Committee on Publicity and Conservation begs leave to report as follows:

This committee was created in December, 1911, pursuant to a resolution presented to the National Convention at Milwaukee, at its regular meeting in August, 1911. During the seven months intervening since the creation of the committee, all of its work has been carried on by correspondence between its members, and therefore no official and definite action has been taken by the committee. We, as members of the committee, congratulate the National Convention on the action taken at Chicago in April, 1912, setting aside an entire day's proceedings at this Convention for the subject of Publicity and Conservation.

As the work of this committee will necessarily be of a very extensive character, we desire at this time simply to report progress, and to announce that data is being collected from the various States from educational institutions and from boards and associations of insurance companies, and other available sources, bearing upon the work of this committee. The proceedings of Conservation Day at this Convention are respectfully presented as the further report of the committee, with the thought that these will form a basis for future work of a more extensive and intensive character along the lines of publicity, education and conservation.

Respectfully submitted,

Herman L. Done,
Willard Done,
F. H. McMaster,
J. A. S. Preus,
Henry D. Appleton."

Mr. Ekern: Mr. Chairman, I move the adoption of that report. Motion duly seconded and carried.

Mr. Done: Mr. President, I desire, if it is in order, to make a motion that there be referred to the Committee on Publicity and Conservation, for such action as that committee may desire to take, the matter of Insurance Terminology—the definition of insurance terms. I do not desire to intimate that this committee will be able to settle this question, but there is much misunderstanding abroad with reference to the meaning of certain terms, and there are so many insurance terms that are frequently misapplied, and used in a misleading way, that I think it will do no harm, and may result in some benefit, if this committee should take up the matter of Insurance Terminology, and, after discussion, reach such a decision in the matter as it may deem wise.

The President: Perhaps it may be as well to refer that matter to the committee without a motion.

Mr. McCoy: **The Committee on Assets of Insurance Companies** presents the following report, and requests that the Secretary read it.

The Secretary read the report, as follows:

"The Committee on Assets of Insurance Companies respectfully report, that they have considered the matter of deposits made by insurance companies for the special benefit of citizens in the municipalities and States where made and the treatment of such deposits in ascertaining the financial condition of companies and report:

That a subcommittee, consisting of Commissioners Mansfield, of Connecticut, and Hardison, of Massachusetts, and Deputy Commissioner Appleton, of New York, has been appointed to further consider the matter and report to the committee at an adjourned meeting of this Convention.

C. M. McCoy, Chairman;
Edward H. Deavitt,
C. A. Palmer,
Burton Mansfield,
Clement L. Brumbaugh,
Charles Johnson,
Henry D. Appleton,
Frank H. Hardison,
J. H. Schively.

Spokane, Washington, July 26, 1912."

The President: You have heard this report of the committee, which seems to call for more time. What is your pleasure with regard to it?

Mr. McCoy: I move that the report be accepted.

Motion duly seconded and adopted.

The Secretary: I have here the report of the **Committee on Fraternal Insurance**, which I will read:

"The Committee on Fraternal Insurance recommends the adoption by this Convention of the following resolution:

Whereas, The question of the right of fraternal benefit societies to grant values upon their certificates and thus prevent forfeitures of the equities of unfortunate members is of immediate and pressing importance in view of the accumulations held by many societies and especially in view of the number of societies now readjusting their business to the requirements of adequate reserves upon the table of mortality and rate of interest adopted; and the readjustment of such societies should be facilitated by the removal of all possible obstacles thereto; and simple justice requires that the equities of members should not be forfeited and that societies should be permitted to recognize this fact;

Resolved, That forfeitures of reserves represented by actual available funds held by fraternal benefit societies should be discouraged; and that such societies should be permitted to grant values upon lapse or surrender of their certificates in such form as determined by each society, to an amount not exceeding the reserve on each individual certificate issued on adequate rates with adequate reserves upon a table of mortality and rate of interest adopted by the society; and, in other cases, to an amount not exceeding the equitable share of the member in available funds held by the society constituting accumulations from his overpayments upon a certificate on which such adequate reserves have not been maintained.

That such societies be encouraged to grant such values as shall best protect dependent members of the family or the member in old age, or both.

That in case of new certificates issued by such societies upon adequate rates with adequate reserves upon a table of mortality and rate of interest adopted by the society, the member shall be entitled upon surrender or laps of the certificate to a value, in such form as may be determined by the society, equal to the reserve upon such certificate.

That this Convention urges the making of these recommendations effective through rulings of the several departments where necessary and practicable.

John L. Bleakly, Chairman;
Arthur W. Pettit,
James R. Young,
Henry D. Appleton."

Mr. Bleakly: I move the acceptance of the report and the adoption of the resolution.

(At this point President Potter called Vice President Hardison to the chair.)

Mr. Potter: Mr. President, if I understand the report of the Committee on Fraternal Insurance, it is to the effect that the equity which a member has in any reserve which may have accumulated may be given to him, upon lapse, in any form desired by the society. That is, the cash surrender value may either be given to him in cash or in a paid-up value, or in extended insurance. The only ones of those forms which I favor granting on the lapse of a member, if he has any equity in the reserve, are either paid-up insurance or an extension of his certificate. I am hardly prepared to vote for a proposition to give him a cash surrender value, because I don't think the fraternal orders should go into commercial forms of insurance. I would like to move to amend the report of the committee by substituting somewhere in it a few words to the effect that the values given him be payable as death claims. Will the Secretary kindly read the report again, slowly? Perhaps I can find some place to insert that.

(At this point the Secretary reread the report of the committee.)

Mr. Bleakly: I think each man could vary it according to his own ideas, according to this last clause.

Mr. Potter: With that explanation, I withdraw my amendment. (At this point President Potter resumed the chair.)

Mr. Ekern: Before leaving that subject I would like to say that under Section 2 of the Mobile Bill it was provided, as that bill was amended at the December meeting of this Convention so as to read as follows:

"Any society which shall show, by the annual valuation herein-after provided for, that it is accumulating and maintaining the full reserve required by a table of mortality not lower than the American experience table and four per cent. interest, may grant to its members extended and paid-up protection or such withdrawal equities as its constitution and by-laws may permit."

So that this resolution really does not extend at all the provisions of the Mobile Bill as it stands at the present time, and it was not intended to extend it, except in this way: that where possible it should eliminate the imposition upon the societies of the requirement of two separate valuations, and also to have such a rule for the States that adopted the old provision of the Mobile Bill prior to this amendment as would permit such action.

The President: You have heard the report of the Committee on Fraternal Insurance, with the explanation given by the Chairman and other members of the committee.

The motion to accept the report and adopt the resolution recommended was duly seconded and unanimously adopted.

The Secretary: I have here another report of the **Committee on Fraternal Insurance**, which I will read:

"The Committee on Fraternal Insurance recommends, that hereafter in all States where the Mobile Bill shall be proposed that Section 16 of the Mobile Bill be amended by inserting after the words 'under the act,' in the thirty-second line of said section, the following words: 'upon a valuation by any one of the standards authorized in Section 23a of this act.'

And that Subsection 1 of Section 9 be amended by striking out all after the word 'provided,' in the twelfth line from the bottom of said section, and inserting in lieu thereof the following: '**Provided**, That no society shall hereafter be incorporated which does not provide for stated periodical contributions sufficient to provide for meeting the mortuary obligations contracted, when valued upon the basis of the National Fraternal Congress Table of Mortality as adopted by the National Fraternal Congress August 23, 1899, or any higher standard with interest assumption not more than four per cent. per annum, nor shall any such society be admitted to transact business in this State which does not provide for stated periodical contributions sufficient to provide for meeting the mortuary obligations contracted, when valued upon one of the bases named in Section 23a of this bill and applicable thereunder to such society. No society, domestic or foreign, shall hereafter be incorporated or admitted to write or accept members for permanent disability benefits except upon tables based upon reliable experience, with an interest assumption not higher than four per cent.'"

The President: You have heard the additional report of the Committee on Fraternal Insurance. We should like a little further explanation from the Chairman of this report.

Mr. Bleakly: I don't know that I can make any plainer the amendments proposed than the language of the amendments themselves. This suggestion is one that has been agreed upon by the representatives of the Associated Fraternities and by the National Fraternal Congress, and they have also been considered by the committee and agreed upon as probably being of such a kind and character as would meet the demand or the deficiency in the present bill. It is recommended to be adopted by such States as have not already adopted a bill and are contemplating the adoption of a bill in the near future.

Mr. Ekern: There is one error, where it refers to Subsection 1 of Section 9 instead of Subsection 2.

The President: Will you accept that change, Mr. Bleakly?

Mr. Bleakly: Yes, and with that correction I move the adoption of the report.

Motion duly seconded and adopted.

The Secretary: I have here another report of the **Committee on Fraternal Insurance**, which I will read:

"The Committee on Fraternal Insurance reports and recommends that the Convention re-refer to said committee the suggestions and resolutions offered relating to the valuation of fraternal benefit societies, and the amendment of Sections 2 and 23a, and that the matters mentioned in said resolutions, and the question of the progress made by such societies in the readjustment of their business, and the sufficiency of such readjustments, with instructions to consider same with any suggestion or requests made by the National Fraternal Congress, the Associated Fraternities of America, or any other association of societies, or any individual society, and report thereon to this Convention at the next adjourned session thereof."

Mr. Bleakly: I move the adoption of that report.

Motion duly seconded and adopted.

The Secretary read the following:

"The Committee on Fraternal Insurance further recommends the adoption of the following resolution:

Whereas, It is with much satisfaction the National Convention of Insurance Commissioners, in session at Spokane, Wash., views the progress made in line of regulation of the affairs of fraternal societies, the Mobile Bill being now enforced through action of State Legislatures and departmental rulings in thirty States.

Whereas, It is a matter of gratification that in the extended discussion to which this measure has been subjected, it has fully stood the test of all assaults. The adoption of this measure, so far in advance of its requirements and action based thereon taken by several societies manifests in State Legislatures and societies a most desirable spirit for the solution of the problems of the fraternal societies of the country;

Be it resolved, That we reaffirm our confidence in the Mobile Bill as a measure going far toward this end and urge upon all members of this body from States that have as yet taken no action thereon, to use their influence at the first meeting of the Legislature in their respective States toward securing its adoption.

John L. Bleakly,
Arthur H. Pettit,
Frank H. Hardison,
James R. Young,
Henry D. Appleton."

Mr. Bleakly: I move the adoption of this report.

Motion duly seconded and adopted.

The Fraternal Committee recommended that the following resolution, offered by Commissioner Ekern, of Wisconsin, be referred to the Fraternal Committee for further consideration and report at the December meeting of the Convention, which recommendation was adopted:

"Resolved, by the National Convention of Insurance Commissioners, That, for the purpose of securing equitable treatment of all members of fraternal benefit societies on their outstanding certificates, there shall be determined as of the end of each calendar year and be reported in the annual statement, in separate items, the accumulations in available funds from overpayments of members held by the society for the future payment of the benefits promised in all outstanding certificates, in the following manner:

1. **The mean reserve on outstanding certificates issued,** rerated or readjusted on a plan providing for adequate rates with adequate reserves to mature such certificates upon the table of mortality adopted and the rate of interest assumed, shall be determined on the basis so provided.

2. a. **The overpayments upon all such other outstanding certificates** shall be determined by crediting each member with payments in premiums and assessments made for his benefit together with interest hereon at approximately the rate earned by the society, and by charging such member with his share of losses and expenses and by carrying the balance, if any, as the overpayment of such member.

b. **The share of losses** shall be actuarially computed as nearly as practicable upon the ratio of the actual experience of the society to the mortality table on which certificates are being issued, or if none is used, then to a mortality table recognized by statute and adopted by the society.

c. **The expenses charged prior to the end of the year 1912** shall be a fair apportionment to each member of the actual expenses of the society; and the expenses so charged after the year 1912 shall not exceed in any year the amount collected in the premiums and assessments of the member of such year for expenses.

d. **Contributions by members for the benefit of other members,** if any, shall be considered the contributions of the members for whose benefit they were made. Other losses and gains, if any, shall be fairly and equitably apportioned to each member.

e. **Unless the plan adopted shall provide otherwise,** no change shall be made in the amount of contribution required during the year from any member upon a certificate mentioned in this paragraph until the accumulation is exhausted, and thereafter such con-

tribution shall be required as shall at least meet the charge to such member required by paragraph (a) hereof.

f. This section shall not apply to any society until adopted by it.

3. **The excess of net mortality** in any year over the tabular costs of insurance upon the actual amount at risk according to the table of mortality adopted and the rate of interest assumed (except as the same may be met from available funds not otherwise apportioned as such reserves or overpayments) shall be apportioned between the classes of certificates mentioned in Sections 1 and 2 hereof in proportion to the approximate costs of insurance, and on the certificates mentioned in said Section 1 such excess shall be apportioned and collected in proportion to the cost of insurance of each member, or, for convenience when the same may be done with substantial justice, by a sufficient increase in the number of assessments.

4. **There shall be determined and reported separately** the amount of surplus held and available for expenses and the amount of surplus in excess of such reserves and overpayments held and available for meeting death claims and other contingencies and not available for expenses.

5. **In the case of any society having readjusted or rerated** upon adequate rates with adequate reserves upon the table of mortality adopted and rate of interest assumed, excepting as to certain certificates then outstanding, on which a lower contribution is fixed for the members than the tabular rate on the basis adopted and the deficiency has been provided for in other funds and in contributions of other members and such deficiency has theretofore been fully met, the mean reserve on such outstanding certificate shall be determined upon the tabular rate without addition for deficiencies in future contributions, and such certificates shall otherwise be treated as provided for certificates mentioned in Section 1 hereof, except that if at any time the provision made therefor shall prove insufficient to meet the deficiency in the contributions in any year, the remainder of such deficiency shall be collected for such year from members holding such certificates in proportion to the differences between the tabular rates and the contributions required on their certificates.

6. **To avoid forfeitures**, societies shall be permitted to account to members for such reserves or overpayments in such manner as may be determined upon by the society and such accounting shall be required in all cases of the transfer of any member from one plan to another and upon all certificates mentioned in Section 1 hereof.

7. **Individual bookkeeping accounts** for each member shall not be required, and all calculations may be made by actuarial methods.

8. **Nothing herein shall prevent the maintenance** of such reasonable surplus as any society may elect, pursuant to its charter and by-laws; nor be construed as giving to the individual member any right or claim to any such reserve or overpayment other than as expressed in the contract and articles and by-laws; nor as making any such reserves or overpayments a liability in determining the legal solvency of the society.

Resolved, further, That this Convention recommends that the several departments put the foregoing provisions in effect through their rulings when necessary and practicable, and further recommends the enactment of said provisions into law where necessary."

The Fraternal Committee recommended that the following, offered by Commissioner Ekern, of Wisconsin, be referred to the Fraternal Committee for further consideration, and report to the December meeting of the Convention, which recommendation was adopted:

"Suggestion for redraft of Section 23a: If the valuation of the certificates, as hereinbefore provided, on December 31, 1917, shall show that the present value of future net contributions, together with the admitted assets, is less than 90 per centum of the present value of the promised benefits and accrued liabilities, such society shall be required either to reduce such deficiency not less than five per centum of the total deficiency on said December 31, 1917, at each succeeding triennial valuation, or, alternately, to place its members thereafter admitted in a separate class and value their certificates as an independent society in respect of contributions thereafter received and of funds: Provided, That any society which fails to make an election between the two alternatives on or before December 31, 1918, shall be assumed to have elected the first alternative and shall thereafter be subjected to the provisions hereinafter prescribed therefor.

If any society which shall elect the alternate of reduction of deficiency, or which fails to make election, as before provided, at any succeeding triennial valuation, does not show such percentage of improvement, the Superintendent shall direct that it thereafter comply with the requirements herein specified and applicable to this option. If the next succeeding triennial valuation after the receipt of such notice shall show that the society has not made the percentage of improvement required herein, the Superintendent may, in the absence of good cause to show for such failure, if the society be a foreign one, cancel its license to transact business in this State. In the case of a domestic society, the Superintendent

may institute proceedings for the dissolution of such society, in accordance with the provisions of Section 24 of this act, or, he may require such society as a condition of continuance of business to subject itself, as to all new members thereafter admitted, to the provisions of Section 12 of this act, applicable in the organization of new societies, and thereafter the contributions and funds of such new members shall be kept separate and apart from the other funds of the society, and their certificates shall be valued as an independent society in respect of both contributions and funds.

In the case of any society which elects, after December 31, 1917, to place its new members thereafter admitted in a separate class, such business thereafter written shall be required to maintain the full reserve required by the terms of the certificates upon the table of mortality and rate of interest adopted as a standard, the excess of net mortality, if any, among said members in any year over the tabular costs of insurance on the basis aforesaid, shall be apportioned and collected in proportion to the cost of insurance of each member, or, for convenience, when the same may be done with substantial justice by a sufficient increase in the number of assessments.

As regards the membership of such a company theretofore written and outstanding on December 31, 1917, there shall be credited thereto the mortuary and disability funds in hand on said date and charged thereto the mortuary liabilities then outstanding. Such membership shall thereafter be required, as a separate class, to provide in each and every year for the actual mortality cost on all certificates in force in said membership, which mortality cost shall be apportioned and collected in proportion to the current cost of the insurance of each member: Provided, That any such society shall have power to provide that not to exceed 80 per cent. of the actual mortuary savings among the new membership, due to the actual costs of insurance therein being less than the tabular costs, may be transferred to and become a part of the mortuary fund of the membership existing on December 31, 1917.

For the purpose of carrying out the foregoing provisions, any society shall be permitted to employ as a basis of valuation, any mortality table derived, as provided in Section 23, from the experience of any other society licensed to do business thereon in the State in which the society exercising such election is incorporated: Provided, That any society making such election shall be required to maintain unimpaired, as regards membership thereafter written, rerated or readjusted in accordance with such standard, the full reserve required thereby, and to collect, each year, the excess of net mortality, if any, therein incurred, over the tabular costs

of insurance newly issued, rerated or readjusted on the basis aforesaid."

Mr. Palmer: At the conclusion of the joint session of the **Executive Committee and the Special Committee on the Settlement of Industrial Health and Accident Company's Claim** yesterday, the report of the special committee was adopted by the Executive Committee, and the proposed bill for health and accident companies was also adopted by the Executive Committee. I have asked Mr. Ryan, of the New York Department, to read this report. I have done this because Massachusetts, New York and Connecticut composed the subcommittee of the special committee which drafted this bill and most of the Commissioners have been present at the hearings upon this bill. We have thought it unnecessary to read the bill, but if any Commissioner desires that it be read Mr. Ryan will read it to the Convention. I have asked Mr. Ryan to do this because he has probably had more to do with drafting this bill than any other man upon this committee, and with the consent of the Convention I will ask Mr. Ryan to read the combined report of the two committees.

The President: Mr. Ryan, of the New York Department.

Mr. Ryan read the report, as follows:

"To the National Convention of Insurance Commissioners:

The undersigned Special Committee on Industrial Health and Accident Settlements, hereby makes its final report covering its proceedings to date.

The history of work done by your special committee up to and including the last Convention, held at Milwaukee, Wis., last year, is a matter well known to all the members of this Association, and in making our final report we take up the work of our special committee, beginning with the adoption of resolutions at the Milwaukee Convention, as follows:

Resolved, That the action of the Special Committee on Industrial Health and Accident Settlements, and of the Executive Committee of the Convention, adopting as its own the action of such special committee, in demanding as to the Industrial Health and Accident departments of certain companies which have been investigated by such special committee—

1. That they make an investigation of their claim departments to the end that wrongs such as those pointed out in said committee's report shall be undone and justice done;

2. That there be established in each company a board or committee of review;

3. That such companies dismiss certain officers and employees, or else retain them in positions where in the future they will have nothing to do with the adjustment of claims;

4. That hereafter no agent, collector, adjuster or manager of such a company, who is compensated in whole or in part by a profit-sharing contract, have power to settle claims.

After the adjournment of the Milwaukee Convention, your committee made seven more joint examinations of Industrial Health and Accident companies doing business in more than one State, and in addition to these, a large number of Commissioners having these classes of companies doing only a local business, made examinations along similar lines as those followed by the committee.

While results of these examinations were in some cases somewhat similar to the cases reported, specifically by your committee at Milwaukee, it is a pleasure to report now that we found no conditions of sufficient irregularity and injustice in the settlement of claims, which we feel requires particular report at this time, and because of these facts, and also because we are firmly of the opinion that the work done by your committee, and the action of the Executive Committee, and of the Convention in accepting our report at Milwaukee, has accomplished the prime object in view, i. e., reforms in the matter of the adjustment of claims in these various companies, we do not feel at this time that the situation warrants us in particularizing with reference to any company.

At the close of the Milwaukee Convention, your committee mailed to the companies reported at that Convention, and since that time, with two exceptions, to all other companies examined and reported upon, certificates of compliance as provided by the Milwaukee Convention, the two companies failing to receive these certificates being the Phoenix Preferred Accident Company, of Detroit, Mich., which company because of conditions developed upon the examination and upon the hearing before the special committee, and for reasons which developed upon a further investigation by the Commissioner of Insurance of Michigan, in which said company was located, was required by the Commissioner of Michigan to retire from business, and in September of last year, reinsured its business with another company doing a like class of business. The other company failing to receive a certificate of compliance was the German Commercial Accident Company, of Philadelphia, Pa., certificate having been withheld for the same reasons as given with reference to the Phoenix Preferred, and for the additional reason that the financial condition of said company, upon a later examination, proved this company to be insolvent, and its methods so devoid of conscience and good morals as to convince your committee that it was not entitled to a certificate of

compliance. This company has since withdrawn from several States, the withdrawal coming as a result of Commissioners of Insurance asking them to show cause why their certificate of authority should not be revoked.

Before mailing certificate of compliance to various companies, your committee addressed to each of them copy of resolutions adopted at Milwaukee Convention, as above set forth, asking each company what its attitude would be with reference to a compliance with recommendations contained in said resolutions. Each company replying to the above inquiries expressed a disposition to meet with the requirements of the Insurance Commissioners' Convention, and upon later inquiry being addressed to them, have reported an absolute compliance with said recommendations, with the exception of the last recommendation, covering the subject of profit-sharing agents. And in this regard those companies which have not discontinued this practice entirely, we are satisfied are making an effort to do so, and we believe the abuses developed upon the investigation in this respect, have been largely corrected and eliminated, although it is the opinion of your committee that this Convention should take some definite action in reference thereto.

While the recommendation of the Milwaukee Convention, as to the establishment of boards or committees of review, is somewhat indefinite, your committee, through its Chairman, has mailed inquiries to each company covered by this investigation, asking if such board passed upon all claims where companies sought to pay less than full indemnity provided in the contract, or whether the said board only passed upon such claims as claimant made contest on amount offered by company. The replies from all the companies have satisfied your committee that they are making an honest and earnest effort to have said board of review pass upon all claims where company seeks or concludes to pay less than full indemnity provided by the policy. We believe this matter should be given the close attention of all supervising officials in States where companies of this class are located, whether strictly a local business or where companies are doing business in more than one State.

Inquiries were addressed to all companies from time to time by your committee, asking reports on progress in readjustment of criticised claims, and in May of this year a set of questions was addressed to each company covering subjects above referred to, and also asking for report of total amount repaid to claimants and beneficiaries upon criticised claims up to July 1, 1912. Replies were received as above stated to these inquiries, and on the matter of readjustment the replies show that twelve of these companies

have paid to claimants and beneficiaries on claims theretofore settled and appearing upon the books of the companies as being closed, but which upon this investigation developed the wrongs and injustice as reported to your honorable body at Milwaukee, the total sum of \$56,000. This sum is made up in payments ranging from fifty cents to \$1,000 and distributed among the poorer class of people throughout the entire United States. The true significance of this result accomplished, becomes more apparent when it is realized that this sum of money has been distributed among a class of people who were totally unable to prosecute their claims to just settlements, and in reporting it in one sum, your committee is governed by the thought that results are what is sought by this Convention, and in no sense is there a feeling on the part of your Commissioners to persecute or to endanger the business of these various companies by, particularizing in this or any other respect, so long as the companies themselves show the disposition which your committee believes to exist in them, to comply with the requirements of this Convention.

In conclusion, your committee desires to present herewith a Standard Provision Bill, governing Health and Accident insurance companies. This bill has been perfected through the efforts of your special committee, a subcommittee of the special committee, and the active co-operation and assistance of the committee representing companies operating in this field. We believe the bill should be adopted by this Convention, with a recommendation that the same be passed in every Legislature of the United States.

Respectfully submitted,

C. A. Palmer,
Commissioner of Insurance of Michigan;
F. H. Hardison,
Insurance Commissioner of Massachusetts;
Joseph Button,
Commissioner of Insurance of Virginia;
E. H. Moore,
Superintendent of Insurance of Ohio;
William Temple Emmet,
Superintendent of Insurance of New York;
Fred W. Potter,
Insurance Superintendent of Illinois,
Special Com. Industrial Health and Accident Settlements."

"Approved by Executive Committee July 25, 1912.

C. A. Palmer, Chairman."

Uniform Standard Provision Bill.

(Important: This bill is a basis for a Standard Provisions Law. References to "State," "act," "Commissioner of Insurance," "court of competent jurisdiction," etc., should be modified when necessary to conform to the practice of each State enacting the bill. See Section 14.)

Section 1. On and after the first day of January, 1914, no policy of insurance against loss or damage from the sickness or the bodily injury or death of the insured by accident shall be issued or delivered to any person in this State until a copy of the form thereof and of the classification of risks and the premium rates pertaining thereto have been filed with the Commissioner of Insurance; nor shall it be so issued or delivered until the expiration of thirty days after it has been so filed unless the said Commissioner shall sooner give his written approval thereto. If the said Commissioner shall notify, in writing, the company, corporation, association, society or other insurer which has filed such form that it does not comply with the requirements of law, specifying the reasons for his opinion, it shall be unlawful thereafter for any such insurer to issue any policy in such form. The action of the said Commissioner in this regard shall be subject to review by any court of competent jurisdiction: Provided, however, That nothing in this act shall be so construed as to give jurisdiction to any court not already having jurisdiction.

Sec. 2. No such policy shall be so issued or delivered (1) unless the entire money and other considerations therefor are expressed in the policy; nor (2) unless the time at which the insurance thereunder takes effect and terminates is stated in a portion of the policy preceding its execution by the insurer; nor (3) if the policy purports to insure more than one person; nor (4) unless every printed portion thereof and of any endorsements or attached papers shall be plainly printed in type of which the face shall be not smaller than ten point; nor (5) unless a brief description thereof be printed on its first page and on its filing back in type of which the face shall be not smaller than fourteen point; nor (6) unless the exceptions of the policy be printed with the same prominence as the benefits to which they apply: Provided, however, That any portion of such policy which purports, by reason of the circumstances under which a loss is incurred to reduce any indemnity promised therein to an amount less than that provided for the same loss occurring under ordinary circumstances, shall be printed in bold face type and with greater prominence than any other portion of the text of the policy.

Sec. 3. Every such policy so issued shall contain certain standard provisions, which shall be in the words and in the order hereinafter set forth and be preceded in every policy by the caption, "Standard Provisions." In each such standard provision wherever the word "insurer" is used, there shall be substituted therefor "company" or "corporation" or "association" or "society" or such other word as will properly designate the insurer. Said standard provisions shall be:

(1) A standard provision relative to the contract which may be in either of the following two forms: Form (A) to be used in policies which do not provide for reduction of indemnity on account of change of occupation, and Form (B) to be used in policies which do so provide. If Form (B) is used and the policy provides indemnity against loss from sickness, the words "or contracts sickness" may be inserted therein immediately after the words "in the event that the insured is injured":

(A) 1. This policy includes the endorsements and attached papers if any, and contains the entire contract of insurance. No reduction shall be made in any indemnity herein provided by reason of change in the occupation of the insured or by reason of his doing any act or thing pertaining to any other occupation.

(B) 1. This policy includes the endorsements and attached papers if any, and contains the entire contract of insurance except as it may be modified by the insurer's classification of risks and premium rates in the event that the insured is injured after having changed his occupation to one classified by the insurer as more hazardous than that stated in the policy, or while he is doing any act or thing pertaining to any occupation so classified, except ordinary duties about his residence or while engaged in recreation, in which event the insurer will pay only such portion of the indemnities provided in the policy as the premium paid would have purchased at the rate but within the limits so fixed by the insurer for such more hazardous occupation. If the law of the State in which the insured resides at the time this policy is issued requires that prior to its issue a statement of the premium rates and classification of risks pertaining to it shall be filed with the State official having supervision of insurance in such State then the premium rates and classification of risks mentioned in this policy shall mean only such as have been last filed by the insurer in accordance with such law, but if such filing is not required by such law, then they shall mean the insurer's premium rates and classification of risks last made effective by it in such State prior to the occurrence of the loss for which the insurer is liable.

(2) A standard provision relative to changes in the contract which shall be in the following form:

2. No statement made by the applicant for insurance not included herein shall avoid the policy or be used in any legal proceeding hereunder. No agent has authority to change this policy or to waive any of its provisions. No change in this policy shall be valid unless approved by an executive officer of the insurer and such approval be endorsed hereon.

(3) A standard provision relative to reinstatement of policy after lapse which may be in either of the three following forms: Form (A) to be used in policies which insure only against loss from accident; Form (B) to be used in policies which insure only against loss from sickness, and Form (C) to be used in policies which insure against loss from both accident and sickness.

(A) 3. If default be made in the payment of the agreed premium for this policy, the subsequent acceptance of the past due premium by the insurer or by any of its duly authorized agents shall reinstate the policy, but only to cover loss resulting from accidental injury thereafter sustained.

(B) 3. If default be made in the payment of the agreed premium for this policy, the subsequent acceptance of the past due premium by the insurer or by any of its duly authorized agents shall reinstate the policy, but only to cover such sickness as may begin more than ten days after the date of such acceptance.

(C) 3. If default be made in the payment of the agreed premium for this policy, the subsequent acceptance of the past due premium by the insurer or by any of its duly authorized agents shall reinstate the policy, but only to cover accidental injury thereafter sustained and such sickness as may begin more than ten days after the date of such acceptance.

(4) A standard provision relative to time of notice of claim which may be in either of the three following forms: Form (A) to be used in policies which insure only against loss from accident; Form (B) to be used in policies which insure only against loss from sickness, and Form (C) to be used in policies which insure against loss from both accident and sickness. If Form (A) or Form (C) is used the insurer may at its option add thereto the following sentence: "In event of accidental death immediate notice thereof must be given to the insurer."

(A) 4. Written notice of injury on which claim may be based must be given to the insurer within twenty days after the date of the accident causing such injury.

(B) 4. Written notice of sickness on which claim may be based must be given to the insurer within ten days after the commencement of the disability from such sickness.

(C) 4. Written notice of injury or of sickness on which claim may be based must be given to the insurer within twenty days after the date of the accident causing such injury or within ten days after the commencement of disability from such sickness.

(5) A standard provision relative to sufficiency of notice of claim which shall be in the following form and in which the insurer shall insert in the blank space such office and its location as it may desire to designate for such purpose of notice:.

5. Such notice given by or in behalf of the insured or beneficiary, as the case may be, to the insurer at _____ or to any authorized agent of the insurer, with particulars sufficient to identify the insured, shall be deemed to be notice to the insurer. Failure to give notice within the time provided in this policy shall not invalidate any claim if it shall be shown not to have been reasonably possible to give such notice and that notice was given as soon as was reasonably possible.

(6) A standard provision relative to furnishing forms for the convenience of the insured in submitting proof of loss as follows:

6. The insurer upon receipt of such notice, will furnish to the claimant such forms as are usually furnished by it for filing proofs of loss. If such forms are not so furnished within fifteen days after the receipt of such notice the claimant shall be deemed to have complied with the requirements of this policy as to proof of loss upon submitting within the time fixed in the policy for filing proofs of loss, written proof covering the occurrence, character and extent of the loss for which claim is made.

(7) A standard provision relative to filing proof of loss which shall be in such one of the following forms as may be appropriate to the indemnities provided:

(A) 7. Affirmative proof of loss must be furnished to the insurer at its said office within ninety days after the date of the loss for which claim is made.

(B) 7. Affirmative proof of loss must be furnished to the insurer at its said office within ninety days after the termination of the period of disability for which the company is liable.

(C) 7. Affirmative proof of loss must be furnished to the insurer at its said office in case of claim for loss of time from disability within ninety days after the termination of the period for which the insurer is liable, and in case of claim for any other loss, within ninety days after the date of such loss.

(8) A standard provision relative to examination of the person of the insured and relative to autopsy which shall be in the following form:

8. The insurer shall have the right and opportunity to examine the person of the insured when and so often as it may reasonably require during the pendency of claim hereunder, and also the right and opportunity to make an autopsy in case of death where it is not forbidden by law.

(9) A standard provision relative to the time within which payments other than those for loss of time on account of disability shall be made, which provision may be in either of the following two forms and which may be omitted from any policy providing only indemnity for loss of time on account of disability. The insurer shall insert in the blank space either the word "immediately" or appropriate language to designate such period of time, not more than sixty days, as it may desire: Form (A) to be used in policies which do not provide indemnity for loss of time on account of disability, and Form (B) to be used in policies which do so provide:

(A) 9. All indemnities provided in this policy will be paid after receipt of due proof.

(B) 9. All indemnities provided in this policy for loss other than that of time on account of disability will be paid after receipt of due proof.

(10) A standard provision relative to periodical payments of indemnity for loss of time on account of disability, which provision shall be in the following form, and which may be omitted from any policy not providing for such indemnity. The insurer shall insert in the first blank space of the form appropriate language to designate the proportion of accrued indemnity it may desire to pay, which proportion may be all or any part not less than one-half, and in the second blank space shall insert any period of time not exceeding sixty days:

10. Upon request of the insured and subject to due proof of loss accrued indemnity for loss of time on account of disability will be paid at the expiration of each during the continuance of the period for which the insurer is liable, and any balance remaining unpaid at the termination of such period will be paid immediately upon receipt of due proof.

(11) A standard provision relative to indemnity payments which may be in either of the two following forms: Form (A) to be used in policies which designate a beneficiary, and Form (B) to be used in policies which do not designate any beneficiary other than the insured:

(A) 11. Indemnity for loss of life of the insured is payable to the beneficiary if surviving the insured, and otherwise to the estate of the insured. All other indemnities of this policy are payable to the insured.

(B) 11. All the indemnities of this policy are payable to the insured.

(12) A standard provision providing for cancellation of the policy at the instance of the insured which shall be in the following form:

12. If the insured shall at any time change his occupation to one classified by the insurer as less hazardous than that stated in the policy, the insurer, upon written request of the insured, and surrender of the policy, will cancel the same and will return to the insured the unearned premium.

(13) A standard provision relative to the rights of the beneficiary under the policy which shall be in the following form and which may be omitted from any policy not designating a beneficiary:

13. Consent of the beneficiary shall not be requisite to surrender or assignment of this policy or to change of beneficiary, or to any other changes in the policy.

(14) A standard provision limiting the time within which suit may be brought upon the policy as follows:

14. No action at law or in equity shall be brought to recover on this policy prior to the expiration of sixty days after proof of loss has been filed in accordance with the requirements of this policy, nor shall such action be brought at all unless brought within two years from the expiration of the time within which proof of loss is required by the policy.

(15) A standard provision relative to time limitation of the policy as follows:

15. If any time limitation of this policy with respect to giving notice of claim or furnishing proof of loss is less than that permitted by the law of the State in which the insured resides at the time this policy is issued, such limitation is hereby extended to agree with the minimum period permitted by such law.

Sec. 4. No such policy shall be so issued or delivered which contains any provision (1) relative to cancellation at the instance of the insurer; or (2) limiting the amount of indemnity to a sum less than the amount stated in the policy and for which the premium has been paid; or (3) providing for the deduction of any premium from the amount paid in settlement of claim; or (4) relative to other insurance by the same insurer; or (5) relative to the age limits of the policy; unless such provisions which are hereby designated as optional standard provisions, shall be in the words and in the order in which they are hereinafter set forth, but the

insurer may at its option omit from the policy any such optional standard provision. Such optional standard provisions if inserted in the policy shall immediately succeed the standard provisions named in Section 3 of this act.

(1) An optional standard provision relative to cancellation of the policy at the instance of the insurer as follows:

16. The insurer may cancel this policy at any time by written notice delivered to the insured or mailed to his last address as shown by the records of the insurer, together with cash or the insurer's check for the unearned portion of the premium, actually paid by insured, and such cancellation shall be without prejudice to any claim originating prior thereto.

(2) An optional standard provision relative to reduction of the amount of indemnity to a sum less than that stated in the policy as follows:

17. If the insured shall carry with another company, corporation, association or society other insurance covering the same loss without giving written notice to the insurer, then in that case the insurer shall be liable only for such portion of the indemnity promised as the said indemnity bears to the total amount of like indemnity in all policies covering such loss, and for the return of such part of the premium paid as shall exceed the pro rata for the indemnity thus determined.

(3) An optional standard provision relative to deduction of premium upon settlement of claim as follows:

18. Upon the payment of claim hereunder any premium then due and unpaid or covered by any note or written order may be deducted therefrom.

(4) An optional standard provision relative to other insurance by the same insurer which shall be in such one of the following forms as may be appropriate to the indemnities provided, and in the blank spaces of which the insurer shall insert such upward limits of indemnity as are specified by the insurer's classification of risks, filed as required by this act:

(A) 19. If a like policy or policies, previously issued by the insurer to the insured, be in force concurrently herewith, making the aggregate indemnity in excess of \$ _____, the excess insurance shall be void and all premiums paid for such excess shall be returned to the insured.

(B) 19. If a like policy or policies, previously issued by the insurer to the insured, be in force concurrently herewith, making the aggregate indemnity for loss of time on account of disability in excess of \$ _____ weekly, the excess insurance shall be void

and all premiums paid for such excess shall be returned to the insured.

(C) 19. If a like policy or policies, previously issued by the insurer to the insured, be in force concurrently herewith, making the aggregate indemnity for loss other than that of time on account of disability in excess of \$, or the aggregate indemnity for loss of time on account of disability in excess of \$ weekly, the excess insurance of either kind shall be void and all premiums paid for such excess shall be returned to the insured.

(5) An optional standard provision relative to the age limits of the policy which shall be in the following form and in the blank spaces of which the insurer shall insert such number of years as it may elect:

20. The insurance under this policy shall not cover any person under the age of years nor over the age of years. Any premium paid to the insurer for any period not covered by this policy will be returned upon request.

Sec. 5. No such policy shall be so issued or delivered if it contains any provision contradictory, in whole or part, of any of the provisions hereinbefore in this act designated as "Standard Provisions" or as "Optional Standard Provisions;" nor shall any endorsements or attached papers vary, alter, extend, be used as a substitute for, or in any way conflict with any of the said "Standard Provisions" or the said "Optional Standard Provisions;" nor shall such policy be so issued or delivered if it contains any provision purporting to make any portion of the charter, constitution or by-laws of the insurer a part of the policy unless such portion of the charter, constitution or by-laws shall be set forth in full in the policy, but this prohibition shall not be deemed to apply to any statement of rates or classification of risks filed with the Commissioner of Insurance in accordance with the provisions of this act.

Sec. 6. The falsity of any statement in the application for any policy covered by this act shall not bar the right to recovery thereunder unless such false statement was made with actual intent to deceive or unless it materially affected either the acceptance of the risk or the hazard assumed by the insurer.

Sec. 7. The acknowledgment by any insurer of the receipt of notice given under any policy covered by this act, or the furnishing of forms for filing proofs of loss, or the acceptance of such proofs, or the investigation of any claim thereunder shall not operate as a waiver of any of the rights of the insurer in defense of any claim arising under such policy.

Sec. 8. No alteration of any written application for insurance by erasure, insertion or otherwise, shall be made by any person other

than the applicant without his written consent, and the making of any such alteration without the consent of the applicant shall be a misdemeanor. If such alteration shall be made by any officer of the insurer, or by any employee of the insurer with the insurer's knowledge or consent, then such act shall be deemed to have been performed by the insurer thereafter issuing the policy upon such altered application.

Sec. 9. A policy issued in violation of this act shall be held valid, but shall be construed as provided in this act, and when any provision in such a policy is in conflict with any provision of this act the rights, duties and obligations of the insurer, the policyholder and the beneficiary shall be governed by the provisions of this act.

Sec. 10. The policies of insurance against accidental bodily injury or sickness issued by an insurer not organized under the laws of this State may contain, when issued in this State, any provision which the law of the State, Territory or District of the United States under which the insurer is organized, prescribes for insertion in such policies, and the policies of insurance against accidental bodily injury or sickness issued by an insurer organized under the laws of this State may contain when issued or delivered in any other State, Territory, District or country, any provision required by the laws of the State, Territory, District or country in which the same are issued, anything in this act to the contrary notwithstanding.

Sec. 11. Discrimination between individuals of the same class in the amount of premiums or rates charged for any policy of insurance covered by this act, or in the benefits payable thereon, or in any of the terms or conditions of such policy, or in any other manner whatsoever is prohibited.

Sec. 12. (1) Nothing in this act, however, shall apply to or affect any policy of liability or workmen's compensation insurance or any general or blanket policy of insurance issued to any municipal corporation or department thereof, or to any corporation, copartnership, association or individual employer, police or fire department, underwriters' corps, salvage bureau, or like associations or organizations, where the officers, members or employees or classes or departments thereof are insured for their individual benefit against specified accidental bodily injuries or sickness while exposed to the hazards of the occupation or otherwise in consideration of a premium intended to cover the risks of all the persons insured under such policy.

(2) Nothing in this act shall apply to or in any way affect contracts supplemental to contracts of life or endowment insurance where such supplemental contracts contain no provisions except

such as operate to safeguard such insurance against lapse or to provide a special surrender value therefor in the event that the insured shall be totally and permanently disabled by reason of accidental bodily injury or by sickness: Provided, That no such supplemental contract shall be issued or delivered to any person in this State unless and until a copy of the form thereof has been submitted to and approved by the Commissioner of Insurance, under such reasonable rules and regulations as he shall make concerning the provisions in such contracts and their submission to and approval by him.

(3) Nothing in this act shall apply to or in any way affect fraternal benefit societies.

(4) The provisions of this act contained in Clause (5) of Section 2 and Clauses 2, 3, 8 and 12 of Section 3 may be omitted from railroad ticket policies sold only at railroad stations, or at railroad ticket offices by railroad employees.

Sec. 13. Any company, corporation, association, society or other insurer or any officer or agent thereof, which or who issues or delivers to any person in this State any policy in wilful violation of the provisions of this act shall be punished by a fine of not more than dollars for each offense, and the Commissioner of Insurance may revoke the license of any company, corporation, association, society or other insurer of another State or country, or of the agent thereof, which or who wilfully violates any provision of this act.

Sec. 14. All acts or parts of acts inconsistent with this act are hereby repealed.

(Note.—If a "Standard Provisions" law has already been enacted, Section 14 should read:)

Sec. 14. The act of this State entitled , approved and all acts or parts of acts inconsistent with this act are hereby repealed.

Sec. 15. This act shall take effect on the first day of October, 1913. Any policy covered by this act, the form of which has received the approval of the Commissioner of Insurance, may be issued or delivered in this State on and after the said date.

Mr. Palmer: Before making a motion to adopt the report of the committee I would like to make a motion to amend the last section of the bill by striking out the word "industrial." It should be "health and accident" and not "industrial health and accident." I would like to strike out the word "industrial." I therefore ask unanimous consent to amend the report by striking out the word "industrial" in the last sentence.

The President: If there is no objection, the report will stand amended in that way.

Mr. Palmer: I now move the adoption of the report, with the statement that if any Commissioner desires a complete reading of this bill the bill will be read. If not, I move the adoption of the report without reading.

The President: Do you move the adoption of this report as Chairman of the special committee?

Mr. Palmer: I move, as Chairman of the Executive Committee, that the report of the special committee be adopted.

The President: It contains a report of the Committee on Industrial Health and Accident Companies' Settlements and a report of the Executive Committee, and also a copy of a bill providing for standard provisions of health and accident companies. Are there any remarks?

Mr. Preus: I would like to make one inquiry. From the reading of the report it would seem that the profit-sharing contracts, which were objected to so strongly in Milwaukee, have not been done away with by all the companies. I would like to ask if there is a provision in this new bill to prevent the making of profit-sharing contracts by these companies in the future?

Mr. Palmer: Mr. President, there is not. The Convention, in submitting its instructions to the committee, did not include that in its resolution. I might say that in corresponding with these companies, and we have had a great deal of it, that they have reported to us that it is a very difficult matter to at once terminate these profit-sharing contracts. I am satisfied, however, from the correspondence, which has been very voluminous, and copies of it are here so that any Commissioner may see it who desires, that all the companies are making an effort to correct that evil, and I am strongly of the opinion that at some time a bill should be adopted by this Convention prohibiting profit-sharing contracts with agents who settle claims in the industrial health and accident business.

Mr. Preus: I must confess that personally I am disappointed on that point. I had hoped that something could be done to prevent these companies from entering into those contracts in the future.

Mr. Palmer's motion to adopt the report was duly seconded and carried unanimously.

Mr. Palmer: I would now move that the Special Committee on Industrial Health and Accident Settlements be discharged.

The President: There is a motion before us that the special committee be discharged. I am very much in sympathy with that motion.

Mr. Young: With the thanks of this Convention.

Motion duly seconded and adopted.

Mr. Palmer: Perhaps it would not be out of place to say this to the supervising officials present: As you all know, this work was very exhaustive, and we believe much was accomplished from it. I am strongly of the opinion, and I believe the other members of the committee share that opinion with me, that every Commissioner, as suggested in the report, should make a special effort to watch closely the settlements of industrial health and accident companies, and I don't say that in any spirit of criticism of the companies at all. In making examinations of the financial statements I think the examiners should not only check up the annual statement, but should also go into the practice of these companies to see if the recommendations of this Convention have been complied with by the companies.

Mr. Hardison: Some years ago an agitation was begun for a **uniform bill regulating interinsurance exchanges**. I think a special committee was appointed. There was an attempt to draft such a bill to present to the Milwaukee Convention. No agreement was reached with respect to it, and there was another attempt at a later meeting of the Convention, and no result was then reached. It was hoped that the matter might be taken care of by the presentation of a bill—perhaps a uniform bill—at this Convention; but it has been found impossible to do so. And as there is only one member left, I think, of that special committee who had that in charge, or at any rate the matter has come to that pass where it seems to be in the hands of only one member of the Convention, namely, your humble servant, I am going to move that this matter of a uniform bill to govern interinsurance exchanges be referred to the Committee on Laws and Legislation.

The President: You have heard the motion of, what shall I say, Chairman Hardison of the Committee of One on Interinsurance Exchanges. The committee seems to be unable to agree with the representatives of the interinsurers' exchanges with reference to the preparation of a uniform bill, and therefore requests that the matter be referred to Chairman Preus's Committee on Laws and Legislation.

Mr. Palmer: This is a subject in which I am deeply interested as Commissioner of the State of Michigan. At the last session of our Legislature we passed an unauthorized insurance bill and it is now a law of the State. When that bill was under consideration by the committee—the joint committee of the House and Senate—the representatives of the reciprocal and interinsurer societies appeared before that committee. It developed there, very much to the surprise of everybody who was interested, that a great number of Michigan people were carrying insurance in

unauthorized companies, not only in interinsurers and reciprocal societies, but in New England mutuals. And in order to get a bill through and force the New England mutuals to come in through the front door rather than through the cellar, and pay their taxes, we exempted the interinsurers and reciprocal societies from the operation of that law, leaving them under the law of 1882 in our State. I know that they are doing business in Michigan, but they do it in the night time. Not that we are opposed to their plan, but we believe that any insurance society that does business in any State ought to come in like white men and pay their taxes and place themselves under the supervision of the Insurance Department. And I want to say to Commissioner Hardison and to the Committee on Laws and Legislation, if this matter is referred to them, that it is absolutely imperative that we should have some sort of a uniform bill that we may present to our Legislatures which convene the first of next year in order that some steps may be taken to reach this sort of thing. I know that Illinois last year passed a law, and unless we can get something else the department of Michigan will take that law, for we are going to have some kind of a law in Michigan.

The President: If you desire, Commissioner Palmer, why not amend the motion of Commissioner Hardison so as to request Mr. Preus's committee to make a report at the adjourned meeting of this Convention?

Mr. Palmer: Acting upon that suggestion, I move that the motion made by Commissioner Hardison referring this matter to the Committee on Laws and Legislation be amended so as to request that committee to prepare and submit a bill at the adjourned meeting of this Convention.

Mr. Hardison: I would like to say further that if the representatives of this Convention on that committee had been willing to agree to the Illinois law with those interinsurers, there would have been a bill to present to this Convention.

Mr. Young: This is a matter in which I am deeply interested and have had some little experience. When the matter was first brought to the attention of this Convention at Chicago, I then put the matter up to the representatives of the interinsurers. The law in my State had allowed them to enter. I told them that they ought to show their good faith in dealing with the members of this Convention by complying with the laws of the State that allowed them to enter. They then stated that they would comply with the laws of my State. I am not opposed to the interinsurers; but what I am opposed to is any crowd that comes in and does business contrary to the laws of my State. And I want to say to this Convention here and now, so that each one of you may be on the

lookout for it, that these fellows have persistently attempted to do business in my State in violation of the law when they could just as well have entered through the front door. I want it to be understood that they are not dealing fairly with us, and we may just as well understand the matter now as hereafter. If they are going to be square, if they want to come into our States, if they want to do business in accordance with the laws of our States, then let them show their good faith by complying with the laws in the States that they can enter.

Mr. McMaster: Mr. Chairman, I just want to repeat what the Insurance Commissioner of North Carolina has said. I must say that I received a most unfavorable impression from some of these representatives of interinsurers two or three years ago who deliberately and absolutely ignored our laws. And notwithstanding they could just as well have come in the front door, they have nevertheless proceeded to do business without complying with our laws.

Mr. Schively: I wish to endorse what has just been said. They are giving me all sorts of trouble in this State. I want to punish them if it is possible.

Mr. Young: What is the reason why they don't enter these States where the law will admit them? I will tell you: The trouble, so far as I have been able to find it out, is, that they are not willing to comply with the law and pay taxes like other companies do. In other words, they want to be exempted from everything in the way of taxes that are imposed upon other corporations. In my State we have a provision of law which prohibits or forbids the Insurance Commissioner permitting any corporation or insurance company that seeks admission to do business in that State to secure any exemption from any law applicable to the class to which that company belongs, and we cannot admit them in our State under any such condition as that.

Mr. Brumbaugh: I believe now, we have struck at this late date, the livest wire we have struck in this Convention, and I am only sorry we did not strike it the very first day, because this is the one thing that is giving the Ohio department more trouble and concern than any other, or any other half-dozen propositions that could be grouped together. I have only this suggestion to make: No doubt this Committee on Laws and Legislation is composed of as good men as we could get, possibly the best men, but they have many other things to look after. Why not consider the immense importance of this matter and appoint a special committee composed of the oldest and most experienced Commissioners we have in this body?

The President: They are all on that committee.

Mr. Brumbaugh: All I have to say is, God bless them and hurry them up.

Mr. Gill: I want to say that I think all our States are having the same trouble. I think a year ago or eighteen months ago we had hundreds of them operating in our State. I endeavored to get a law through our Legislature and asked the Governor to send a special message to the Legislature in order to back it up. He did so, and within the next two or three days I am satisfied there were several hundred representatives of these interinsurers there. Among them was their general attorney, who is here at this meeting. We tried to get that bill through. We got the bill through the House, and if we had had two or three days more we would have got it through the Senate. Those gentlemen came in to say good-bye to me after the bill was killed for lack of time, and I said to them: "You beat my bill, but I am going to get you fellows out of the State." In less than ten days I had two of them in jail, and I had the pleasure last month of attending the Federal Court where one of them was sent to the penitentiary for five years and one for two years. (Applause.) A few days after adjournment one of the leaders came along and said, "Here is \$50,000 in securities I want you to take." I said, "I have nothing to do with those."

The best weapon we have to fight them with, and I presume it is the same in your State as it is in ours, is this: Under our laws a corporation cannot take insurance in these reciprocals. It is ultra vires, that is, they are exceeding their privileges. So far as I know today, the only one that is operating in my State is the Bankers, of Kansas City. I have instructed all my bank examiners to examine all our banks every three months, and to examine all the policies in those banks, and wherever they find one of those policies to report it to me. And whenever they find one of those policies I immediately write that bank that if they don't cancel that policy I will cancel their charter, or will report it to the Attorney General, who will begin proceedings for the cancellation of their bank charter. I am going to have a law through the next Legislature that will control them. I am against insurance reciprocals. I am against the fly-by-night fellow that comes along and takes a man's money, and then when a loss occurs don't pay.

We have operating in our State some very large lumber interests, and they have reciprocals among themselves and by reason of the wealth and standing of the lumber interests, it is good insurance.

The theory is good, but it comes in conflict with this corporation act—this ultra vires act, which provides that if a corporation has a charter to do a lumber business or a banking business, whenever it enters into reciprocal insurance it is engaged in the insurance business and forfeits the rights conferred by its charter.

Mr. Deavitt: I have considerable confidence in the judgment of the Commissioner from Massachusetts, and I don't want to see him discharged from the consideration of that subject. I would amend the motion which has been made by adding him to the Committee on Laws and Legislation which is to consider this matter.

The President: He will be ex officio a member of all committees.

Mr. Preus: I have just asked Mr. Hardison if it would be satisfactory to him in case this motion is ever put—

The President: It is not my fault that it is not put.

Mr. Preus: I am not blaming you, Mr. President. But in case it is referred to the Committee on Laws and Legislation, I was going to ask unanimous consent that the Chairman be given authority to appoint a subcommittee, of such size as he may deem expedient, to consider this matter in order that they may hold a meeting previous to the adjourned Convention in New York. I would offer that as an amendment.

Motion duly seconded, as amended, and carried unanimously.

Mr. Palmer: The motion as amended is, then, that the Committee on Laws and Legislation be instructed to prepare and present a bill at the adjourned meeting in New York?

The President: Yes, that was accepted.

Mr. Mansfield: I desire to present the following resolution of thanks to the Insurance Commissioner of Washington and all others who have entertained us so splendidly while we have been in Spokane:

"The special committee to whom was referred the preparation of a resolution extending our thanks for hospitality extended, beg leave to report that they have attended to the duty assigned, and present the following resolution:

Resolved, That the hearty thanks and appreciation of this Convention, both individually and collectively, be extended to the Insurance Commissioner of Washington, the insurance men of Spokane, the Chamber of Commerce, the ladies, and all others who have taken part in extending to us the hospitality of this city and State. We assure them that we know that nothing has been left undone to fulfill the promises involved in their cordial invitation to come to the capital of this great inland empire, and that little more could have been done to insure our happiness and welfare.

Burton Mansfield,
C. M. McCoy,
J. S. Darst."

The resolution was unanimously adopted by a rising vote.

Mr. Preus: I wish to offer the following resolution, and request that the Secretary read it.

The Secretary read the resolution, as follows:

"Whereas, There is a constant demand for insurance contracts which will insure the owners of automobiles against all injuries to persons, automobiles or property incident to or resulting from the operation and ownership of automobiles;

Be it resolved, That this Convention at its next adjourned meeting consider the advisability of devising ways and means for the companies engaged in this line of insurance to issue such policies of insurance."

Mr. Preus: There is a great demand for a new kind of insurance policy, which some of the companies desire to issue. Just as I had prepared this resolution, Mr. Appleton, of New York, handed me a memorandum in regard to automobile insurance, which goes very thoroughly into this question and is exceedingly well prepared, and I desire to present that with this resolution. Inasmuch as the committees at this time will dissolve, and the Chairman of the Committee on Laws and Legislation may not be Chairman again, I would ask that this resolution be adopted and that the same be referred to the Committee on Laws and Legislation.

Memorandum in re. Automobile Insurance.

The automobile branch of the insurance business is of comparatively recent growth. It is only a few years since it was recognized in the insurance law of New York State. (Chapter 206, Laws of 1907, in effect September 1, 1907.) Prior to that time there was no provision in the general casualty law recognizing automobile insurance, but the New York department held that the term "transportation," as used in both Sections 110 and 150, was sufficiently broad to enable the fire companies to assume a limited line of automobile insurance liability. Our department was compelled to hold, however, that a purely fire company could not write an automobile policy because it was controlled by the standard fire policy law (Section 121). We further held that the marine companies, not being required to write a standard policy, could adopt such a policy as they might desire to write in connection with automobile insurance.

This situation was met in the amendments of 1907 by the express authorization of automobile collision insurance. Section 70, as amended, expressly permits corporations insuring against health and accident, employers' liability and burglary to offer every requisite feature of automobile insurance (except insurance against loss by fire) in a single policy. Sections 110 and 150 as amended

authorized automobile liability insurance, but, because of a confusion in legislation that year, the law did not become applicable to fire companies. The following year Section 110 was again amended so as to extend this power to fire companies.

The situation as it now exists in the State of New York is substantially as follows:

The owner of an automobile can secure from a casualty company every kind of insurance he needs, except fire protection. He can secure from a fire or marine company every kind of protection he needs, except protection against damage to the person. Therefore, there is a certain amount of like power running into both classes of corporations.

The department is now confronted with this peculiar situation: A certain casualty company of another State (the *Ætna Accident and Liability Company*), by a recent amendment to its charter, has secured the following powers:

"9. May make insurance against loss of use and occupancy, against loss of profits, and against any other **consequential loss** resulting from destruction of or damage to property by fire, water, explosion or other calamity."

This company construes the words "consequential loss" as permitting it to write a policy under the terms of which the automobile may be paid; or, if the automobile is not totally destroyed by fire but is capable of repair, the loss to which the owner is subjected by reason of his inability to use the car, or the hire of another car, may be paid to the insured. This in itself is so closely akin to fire insurance that one has great difficulty in drawing any distinction therefrom.

The question now confronts us all as to whether or not it is desirable to give to a fire company the right to assume all hazards to an automobile; that is, property hazards and hazards to the person, and to give to the casualty company the right to assume liability for loss by fire. One of the difficulties confronting the departments—if we should come to such a decision—would be that the casualty company by its express power, that is, that of employer's liability insurance, might have a claim which would have to be measured under Section 86 of the insurance law; that is, the holding of the special loss reserve liability. If you give to a fire company the right to assume liability for hazards to the person, there is no provision in the insurance law charging against such a company a loss reserve of this character. If the proper reserve on a complete automobile policy, that is, one of property damage and damage to the person, is to be measured simply on the premium payments, then there would be no difficulty in arriving at proper liability.

Certainly, if the casualty company with its powers can by indirection break in so that it is writing a policy that protects the owner against a fire loss, then in all fairness the fire company should be permitted to assume those hazards to the person which, under our existing law, can only be taken by the casualty companies.

That there is confusion in this treatment in the various States is evidenced by the fact that in Illinois a fire company could not assume automobile collision damage unless it was licensed as a casualty company requiring it to make an additional deposit either with Illinois or with the home State department. In this respect, I understand, the Illinois statute has been amended so as to permit a fire company to write substantially the same hazards against automobiles which can now be written under the New York insurance law. It would seem to be most desirable that one of the standing committees of this Convention should give particular attention to the question involved for the purpose of arriving at some uniformity in results as it is applicable to automobile insurance, fixing and determining definitely just what the powers may be, and endeavoring to secure uniformity in this respect in all of the States. The business of automobile insurance has grown to huge dimensions, and it is a most troublesome problem for us all.

The President: To bring in a special report in December?

Mr. Preus: Yes.

The President: You have heard the resolution offered by Mr. Preus, accompanied by a memorandum by Deputy Appleton, of New York, with reference to automobile insurance. The committee is requested to bring in a report in December to cover this matter.

Mr. Hardison: I would like to hear that memorandum.

The President: That will be for the consideration of the committee, Mr. Hardison.

Motion duly seconded and carried.

Mr. Brumbaugh: I think it proper, gentlemen, to call to your attention so that you may take any action that you may deem appropriate, the fact that since your last meeting one of your former members, Superintendent of Insurance and Judge Lemert, of Ohio, has passed away. I do this so that you may take whatever action you deem proper.

The President: The Chair will appoint a committee, consisting of the Deputy from Ohio, the Secretary of the Convention and Commissioner Ekern, of Wisconsin, to prepare suitable resolutions upon the death of Judge Lemert and present them in a short time.

Mr. Palmer: I move that the Convention do now go into executive session.

Motion duly seconded and carried.

EXECUTIVE SESSION.

Mr. Palmer: I desire to take up the proposition I made the day before yesterday to amend the Constitution, and I ask the unanimous consent of this Convention to the adoption of that resolution.

The President: The Commissioner from Michigan asks unanimous consent of the Convention to amend the Constitution by adding to the appropriate section a provision for a second Vice President. Article 4 of the Constitution reads as follows: (The section was read.)

There is a provision in the Constitution that it may be amended at any time by unanimous consent.

Mr. Darst: I would like to ask the Commissioner from Michigan to explain his reasons.

Mr. Palmer: This really is not a particular hobby of mine, although I am strongly in favor of it. It is because there is a feeling among the Commissioners present at this Convention that the West should be represented among the officers of this Convention, and this motion to add a second Vice President to the officers of the Convention is for the purpose, and nobody has any disposition to cover up anything—I believe what we do should be done in the open—is for the purpose of making a Western man second Vice President of this Convention, and I ask that that amendment to the Constitution be adopted unanimously.

The President: I simply desire to say that the Chair is very heartily in favor of a motion of this kind. We have tried to recognize the Western people in the last year, and they have responded by co-operating with us much better than in the past. If there is no objection, the Chair will take it that unanimous consent is given to the adoption of this amendment to the Constitution.

The motion was duly seconded and carried unanimously.

The President: It is unanimously voted that there be **added to Section 4 of the Constitution an amendment providing for a second Vice President.**

Gentlemen, we have reached the place on the program for the **election of officers for the ensuing year**, and the Chair is ready to hear nominations for President.

Mr. Young: May I make one statement? As Chairman of the **Committee on Examinations**, I want to say to the Convention that we have no formal report. We had a meeting of the committee

here and have a record of the examinations that have been made, which is indexed, and we will be glad to give any information that we can to any department regarding this work. I believe we are accomplishing a great work, and if you could see the great number of examinations and read over the immense correspondence that comes to the Chairman from the different departments, I think you would agree with me.

Mr. Mansfield: I desire to make one nomination, but I understand that the gentleman from Ohio would like to make a few remarks before I do so. I will therefore gladly yield the floor to him.

Mr. Brumbaugh: I simply wanted to state, so that there would be no misapprehension about my presence here, that the Deputy Superintendent of Ohio is clothed with all the duties and responsibilities of, and is the Acting Superintendent in the absence of, the Superintendent; and when he goes on department business outside of the State he is clothed with all the powers and duties of the Superintendent. I didn't want you to think that I was an intruder here.

The President: We understand that thoroughly; that is perfectly satisfactory.

Nomination for President.

Mr. Mansfield: Since I came to Spokane I have heard a great deal said about the "boys." I have not yet learned whether I am included in that phrase or not, but I claim the right to be put in that class. (Applause.)

I was at a Convention in 1894, where I had the pleasure of reading a paper which I prepared myself (laughter) on life insurance. I don't remember who was President of the Convention at that time, but I do remember very well the words of congratulation which came to me from the then Insurance Commissioner of the State of Massachusetts, Major Merrill. Well do I remember him, and well do I remember the great influence which he exerted over the insurance companies of Massachusetts and other States. I remember his successor also, not only as Deputy, but as Insurance Commissioner of that great State, and the able manner in which he performed his duties. I claim, therefore, that I have a right, as a member of that long time ago Convention, to make the nomination which I am about to make. And I claim that right for another reason. Our friend from South Carolina may have led some of you to think the other day that Massachusetts and South Carolina were the only ones of the original thirteen States that were left. (Laughter and applause.)

Now, I am always very glad to hear from him, and join with him in the splendid tribute which he paid to those two States, to which they are entitled. But, in a certain sense, he is far away from home, and I claim the right, as a member of the family group, to nominate the gentleman whom I propose to put in nomination. I claim the right as a sister living in the same household, as a member of the more immediate family.

But there is another reason, Mr. President and gentlemen of the Convention, more important than all the others, and that is because the gentleman personally deserves it. He deserves it by virtue of the duties which he has performed, by virtue of the great State and the great department which he represents, and because he in himself possesses all the qualifications necessary to make him an ideal President of this Convention. I have the honor of nominating the Hon. Frank H. Hardison, Insurance Commissioner of Massachusetts, to be President of this Convention. (Applause.)

The President: I am going to assume that there are no further nominations.

Mr. Hardison was thereupon elected President by a unanimous viva voce vote.

The President: We would like to hear a few words from you, Commissioner.

Mr. Hardison: Mr. President, I want first to thank the gentleman from Connecticut for his very kind words. We have been in session here nearly four days and we have been in session today something over three hours, and I do not want to take very much of your time in making an extended speech of acceptance. I want, however, to congratulate the present President upon the great success of his administration and the success of this Convention in particular. I greatly appreciate the honor that has been conferred upon me and upon the Commonwealth of Massachusetts by this election. Whatever ability I possess, and whatever I may have learned by experience that will be of value to this Convention will be at your service. I want, however, to bespeak from each one of you your active co-operation. This is your Convention; these duties are your duties; the responsibility for the success of this Convention is your responsibility. I simply wanted to call this to your attention, and feel sure that in the coming year, as in the past, the efforts of all the Commissioners will be bent towards the success of the Convention. Gentlemen, again I thank you. (Applause.)

The President: **Nominations for First Vice President** are now in order.

Mr. Preus: The Commissioner from Connecticut has told us that twenty years ago he was a member of this Convention. There is

a man among us, however, who, possibly, has been a member of this Convention for a longer time than that. He comes from the neighborhood of the Palmetto State, of which we have heard. This man is a quiet man, an intelligent man, a man with much above his eyes although he needs no strap around his head, a man with a small flywheel but with an excellent governor, a man who gives good advice to all of us, a man who knows more about most things and a great deal more about many things than any of us. I wish to place in nomination a man whom we all love very much—the Commissioner from North Carolina, Colonel Young. (Applause.)

The President: Are there any further nominations?

The Chair thereupon put the question, and Commissioner Young was unanimously elected First Vice President by a viva voce vote.

Mr. Young: Mr. President and gentlemen, I would be less than a man if I did not appreciate the honor you have done me. I appreciate it the more as an honor not bestowed upon me personally but upon my State. I want to thank my friend, the Commissioner of Minnesota, for the kind words with which he placed my name before this body, and can only wish that I was worthy of them. Since I have been a member of your body I have endeavored to devote myself to the work of the Convention, believing that in this way I could get more benefit personally and accomplish most for our cause. I have sought the work and duties rather than the honors of your body, but the honor is none the less appreciated by me. Whatever I can do as an officer of your Convention or as a member of it shall be done cheerfully and with all the power and ability I possess. Mr. President and gentlemen, I thank you. (Applause.)

The President: The Constitution, as amended, provides for the **election of a Second Vice President**. Whom will you elect?

Mr. Clayton: In the first place, I want to thank the members of this Convention for the magnanimous spirit in which they have allowed, by unanimous consent, the amending of the Constitution so as to elect a Second Vice President, and more especially after the statement that was made by Commissioner Palmer that the creation of this office was for the purpose of giving the Western men a representative in the offices of this Convention. You have nominated a magnificent man from the East. Commissioner Hardison, for President; you have nominated for First Vice President that stalwart member of this Convention from the Southland, Colonel Young, and we in the West feel that we would like recognition in the personnel of the man whom I am about to name for the office of Second Vice President. Those of you who have sat in the Convention and worked alongside of Mr. Done have come

to recognize his ability; have learned to love him for his many admirable traits of character. It affords us in the West, representing these newer States, great pleasure to present the name of Mr. Willard Done. Gentlemen, I place in nomination Mr. Willard Done, of Utah. (Applause.)

Mr. Done was thereupon unanimously elected Second Vice President of the Convention by a viva voce vote.

The President: Commissioner Done, we would like to hear a few words from you.

Mr. Done: Mr. President, and fellow members, this honor which you have conferred upon me and my State is deeply appreciated both by myself and the State that I live in and love to serve, and by the West, of which that State is a part. I pledge my humble efforts to the full extent of my ability in behalf of this great organization and its great work, and shall be present personally whenever it is possible, and in spirit when not otherwise possible, to give you all the strength, all the courage and ability that is at my disposal. Gentlemen, I thank you. (Applause.)

The President: The Constitution also provides for the **election of a Secretary**. What is your pleasure?

Mr. Ekern: When I first entered into the service of this Convention, the man whom I most leaned upon was our genial friend, Mr. H. R. Cunningham. You all love him, and you all recognized his efficiency and his ability. When he retired it was recognized that it would be difficult to fill his place. It was, therefore, with peculiar pleasure that I witnessed the selection of another man whom I had learned to love and respect through close association with him in my early work in the Convention, and I am sure you all will join with me today in congratulating him upon the way in which he has filled that position as successor of our friend, Cunningham. I take pleasure in nominating for the position of Secretary Commissioner McMaster, of South Carolina. (Applause.)

Mr. McMaster was thereupon unanimously elected Secretary by a viva voce vote.

Mr. McMaster: Gentlemen, I thank you sincerely. But South Carolina does not give place to Connecticut, or to any other State, as regards proximity to Massachusetts. There is but one nation; there are no distant States. I thank you. (Applause.)

The President: **The selection of your Executive Committee** is next in order. Whom will you have?

Mr. McMaster: For the position of Chairman of the Executive Committee I should like to nominate a man, or rather I should say a brother-man, for his heart beats true to all mankind. At times I have heard him profess that he came from a certain State. He was laboring under a delusion, for he does not know where

that State begins or where it ends. His fellowship is with all who live between Canada and the Gulf, between the Atlantic and the Pacific. I would name as **Chairman of the Executive Committee Mr. C. A. Palmer, of the United States of America.**

Mr. Palmer was thereupon unanimously elected Chairman of the Executive Committee by a viva voce vote.

Mr. Young: Mr. President, there seems to be a disposition manifested here to make out that I am the oldest member of this Convention. I would therefore like to place the seal of my approval upon a young man in this Convention, and one who has done most efficient work. I desire to nominate as a **member of the Executive Committee Comissoiner Ekern, of Wisconsin.**

Mr. Ekern was thereupon unanimously elected a member of the Executive Committee by a viva voce vote.

Mr. Done: I desire to call your attention to a certain State from which we have heard, although State lines are being eliminated just now. This State has been noted largely for its manufacturing industries, two of the specialties that are commonly attributed to it being wooden nutmegs and good insurance policies. I find, too, that this State has produced other good products, and among them are men who, although some of them like to be called boys, are big-bodied, big-hearted and big-brained enough to be classed in both categories. I take pleasure in naming as **the third member of this committee the Hon. Burton Mansfield, of Connecticut.** (Applause.)

Mr. Mansfield was thereupon unanimously elected a member of the Executive Committee by viva voce vote.

Mr. Mansfield: I thank you, gentlemen.

Mr. Bleakly: I desire to nominate for membership on this committee a man who has served one year upon it; a man who is a neighbor of mine and with whom I have had some very pleasant official relations. **I take pleasure in nominating the Hon. Silas R. Barton, of Nebraska.** (Applause.)

Mr. Barton was thereupon unanimously elected a member of the Executive Committee by a viva voce vote.

The President: Whom will you have for the fifth member?

Mr. Palmer: There is a certain fraternal organization which attributes its great growth in this country within the last few years to the beauty of its ritual. While we are not a fraternal society, yet it never hurts a commercial body to have a little fraternity injected into it. I nominate as **the next member of this committee Joe Button, of Virginia.**

The President: Commissioner Palmer has nominated our genial friend, Colonel Button, of Virginia, who is unavoidably absent from this Convention.

Mr. Button was thereupon unanimously elected a member of the Executive Committee by a viva voce vote.

Mr. Preus: Mr. President, I move you that the Secretary be instructed to wire Mr. Button informing him of his election.

Motion duly seconded and unanimously carried.

Mr. Hardison: I want to nominate as a member of the Executive Committee another gentleman who is not present at this Convention, but one who represents the greatest insurance State of all the States. I presume that in his department he has more examiners than all the rest of the States put together. At any rate, in his State is centered a tremendous amount of insurance capital and a large number of companies who are doing all kinds of insurance business. It seems to me peculiarly appropriate that the representative of the great Empire State should have a place on this Executive Committee, and I therefore nominate **William Temple Emmet, of New York.** (Applause.)

The President: Gentlemen, Superintendent Emmet, of the New York department, is very properly placed in nomination as a member of the Executive Committee.

Mr. Emmet was thereupon unanimously elected a member of the Executive Committee by a viva voce vote.

Mr. Deavitt: I suppose we shall have to dispense with the services of our present President at this time. Those of us who have been Commissioners for the last six years have recognized the independent, able and fearless manner in which he has performed his duties as Insurance Commissioner of the State of Illinois; and those of us who have attended this Convention recognize the conscientious and impartial manner in which he has presided over our deliberations. I therefore take pleasure in nominating as **the last member of the Executive Committee the Hon. Fred W. Potter, of Illinois.** (Applause.)

The Secretary: I take it for granted that there will be no further nominations. All who are in favor of electing Superintendent Potter the seventh member of the committee will manifest it by saying aye.

Motion unanimously carried.

Mr. Potter: Gentlemen, I thank you.

Mr. Done: Mr. President, if I am in order I desire to move that we recall the motion of Mr. Preus in which it was provided that the Secretary should notify Colonel Button by wire of his election to the Executive Committee, and add to that motion instructions to the Secretary to notify Mr. Emmet also of his election.

The President: I will ask the Secretary of the Convention to wire Superintendent Emmet, and Colonel Button, of Virginia, of their election.

Mr. Palmer: I would like to ask if there is any remaining unfinished business upon the records of this Convention.

The Secretary: None whatever, excepting the auditing of the books.

Mr. Palmer: Then I move that the committee now rise and that we go into regular session.

Motion duly seconded and carried.

OPEN SESSION RESUMED.

Mr. Pettit: On behalf of the State of Oklahoma and Oklahoma City, ~~I desire to extend to this body a most cordial invitation to hold their 1913 Convention in Oklahoma City.~~ And I am supported in this by over forty telegrams from various officials and organizations of that State and that city.

The President: The representative of the department of the State of Oklahoma invites the Convention to meet in Oklahoma City next year. A great number of telegrams have been received from various organizations in Oklahoma City and the West extending this invitation. As I understand it, this is a matter that will be referred to the Executive Committee and that it will not be necessary for that committee to report at this session. Formerly, for the last two or three years, we have made selection of the place of holding the next Convention in open session of the Convention, but the Constitution was amended during the last year so that the Executive Committee has authority to select the place and fix the time.

Mr. Darst: Mr. President, I rise to a question of privilege. I have received great help from this Association. It has been a school of instruction to me, and I have been glad to be a student.

Present political conditions, over which many of us have had no control, may result in many new faces at our next meeting. Although I was nominated at a primary election for Auditor and ex officio Insurance Commissioner, without opposition, by all factions of the Republican party of my State, and that party has nominally from 20,000 to 30,000 majority, complications may ensue which would materially change these figures.

Be that as it may, I take this opportunity to endeavor to express my appreciation for the many kindnesses received from the individual membership of this Association. If I have raised to any extent the standards of the insurance business in West Virginia, if my efforts to place the business of insurance on a higher plane have been attended with good results, if my efforts to fight everything that was bad in insurance, and encourage all that was good, and that stood for a fair deal to our people, as well as being

nominated without opposition to succeed myself, I feel that I owe more to this Association than to any other one thing. I have been glad to sit at your feet and learn of you. I have enjoyed your society, and shall not soon forget the many pleasant times we have had together, and your unselfish work for better conditions in the insurance world. I love my job for the opportunity it affords to be of real service to our people.

I am also under great obligations to ex-Commissioners Hotchkiss, of New York; Berry, of Michigan; Hartigan, of Minnesota; Rittenhouse, of Colorado, and others. They have given to other Commissioners and to the work unstintingly the knowledge they possess of the insurance business, without money and without price. May their shadows never grow less, and may they live to continue their unselfish work for the good of the insurance business, realizing, as they no doubt do, that it is more blessed to give than it is to receive. One of our members, Commissioner Button, whose devotion to a sick friend has prevented him from taking part in this meeting. This is characteristic of the man. The same motive that has prompted him to stand by his friend in time of great need has prompted him to do the many kind acts for the good and comfort of the individual members of this Association for years. Colonel Button is all right, and we all love him, and he is my type of what I consider a typical Southern gentleman.

In closing let me endeavor to express to you my thoughts of your unselfish work, and the great good you have accomplished as an Association, by repeating the following beautiful and truthful verses, which are so applicable, in my judgment, to the work you have been rendering the great mass of people in this country:

"There are hermit souls that live withdrawn

In the peace of their self-content;

There are souls, like stars, that dwell apart

In the followless firmament;

There are pioneer souls that blaze their paths,

Where highways never ran;

But let me live by the side of the road,

And be a friend of man.

Let me live in a house by the side of the road,

Where the race of men go by—

The men who are good and the men who are bad,

As good and as bad as I.

I would not sit in the scorner's seat,

Or hurl the cynic's ban;

Let me live in a house by the side of the road,

And be a friend of man.

I see from my house by the side of the road,
 By the side of the highway of life,
 The men who press with the ardor of hope,
 The men who are faint with the strife.
 But I turn not away from their smiles or their tears—
 Both parts of our infinite plan;
 Let me live in a house by the side of the road,
 And be a friend of man.

I know there are brook-gladdened meadows ahead,
 And mountains of wearisome height;
 That the road passes on through the long afternoon,
 And stretches away to the night,
 But still I rejoice when the travelers rejoice,
 And weep with the strangers that moan,
 Nor live in my house by the side of the road
 Like a man who dwells alone.

Let me live in a house by the side of the road,
 Where the race of men go by—
 They are good, they are bad, they are weak, they are strong,
 Wise—foolish—so am I.
 Then why should I sit in the scorner's seat,
 Or hurl the cynic's ban?
 Let me live in a house by the side of the road,
 And be a friend of man."

This Association has been a power of good, because it has not tried to hide its light under a bushel, but has lived in the open; has lived, as expressed in those beautiful lines, by the side of the road, and endeavored to be a true friend of man.

The President: The retiring President desires to say that he has been intimately associated with our friend from West Virginia during the last four years, and that he has been an honest, hard-working, conscientious member of this Convention. I am sure that I voice the sentiment of all members present when I say that we earnestly hope that he is mistaken in what he says about his chances of being Auditor for the next four years.

Mr. McMaster: I only wish to repeat what I have said to you all in private, that if the needs of the day call for a Democrat, or Democrats, Colonel Button, and Colonel Young, and Private McMaster are at your command.

Mr. Mansfield: What is the matter with Connecticut?

Mr. McMaster: Connecticut, too. I think, though, that our friend from West Virginia has made one mistake. He has given this Convention the honor, or says that we are responsible for his

having been renominated without opposition. Sirs, that credit cannot fairly be given to this Convention, but is rather due to the gentleman's make-up. Nature gave him a warm heart and an honest mind that shuns evil as readily as does the positive pole shun the negative. (Applause.)

The Secretary: I have here a resolution which has been prepared and submitted by the committee concerning the death of Judge Lemert:

"Resolution of the National Convention of Insurance Commissioners at Spokane, Wash., July 26, 1912.

Since the last session of our Convention death has removed from earth Charles C. Lemert, of Ohio.

In the death of Judge Lemert this Convention keenly realizes the loss of a man who, while Superintendent of Insurance of Ohio, was a faithful, efficient public officer, and a worthy, valued and distinguished member of this Convention, and a respected friend of every member of the Convention.

We express here our sense of our loss and our sympathy for the widow and family of Judge Lemert in their bereavement.

Clement L. Brumbaugh,
Herman L. Ekern,
F. H. McMaster."

The resolution was unanimously adopted by a standing vote.

Mr. Deavitt: One year ago I gave notice that at this time, on behalf of the State of Vermont, **I should ask the Convention to come to Burlington, in our State, for its next Convention.** Since that time an amendment to the Constitution has been adopted which provides that this matter shall be taken care of by the Executive Committee, and under those circumstances I suppose it is not in order to say very much at this time. So I will simply say that at the proper time I hope to present to the Executive Committee the reasons why I think the Convention ought to go to the Northeastern section of our country for its next meeting, as we are in the Northwestern section this time. I hope that the committee will see fit to come to Burlington.

Mr. Palmer: Mr. President, it may not be out of place to explain why we amended the Constitution in that respect, as there are probably many here who do not know. There are a great many Insurance Commissioners who are ex officio Fire Marshals. The Conventions of those two bodies are usually held in the same month. At the meeting of the Fire Marshals' Association of North America, held in Detroit two weeks ago today, we referred the selection of the place and time of holding our next Convention to the Executive Committee, as was done in this Convention, in

order that the two committees might work together and hold the conventions at the same time, or nearly the same time, although at different places, so that the Commissioners who are ex officio Fire Marshals might have an opportunity to attend both conventions, which they would not have an opportunity to do if they were held, for instance, one in Spokane and the other in Vermont. Our plan in the Fire Marshals' Convention is to wait until after the Insurance Commissioners have selected the place for holding their Convention and the time, and then we propose to select a place and time that will be convenient for us to attend both conventions.

Before adjournment I desire to move that the **Secretary be authorized to levy an assessment upon the members of this Convention to defray the expenses, the same as last year.**

Motion duly seconded and carried unanimously.

Mr. Brumbaugh: I don't think we can express in strong enough language our appreciation of the hospitality of this city. I know, however, that that will be attended to as there has been a resolution adopted in regard to it. I do want to express, however, a word of appreciation of our treatment here and the magnificent reception and gloriously glad hands that have been extended to us. I feel individually that I want to thank those whole-hearted people for the way they have received us all along the line.

Mr. McMaster: I move that when this Convention adjourn that it adjourn to meet at the call of the Chairman of the Executive Committee at such time and place as the Chairman may designate.

Mr. Palmer: I was going to make a motion that we adjourn to meet in New York in December.

Mr. McMaster: I will accept the amendment.

Mr. Darst: I think that the suggestion of Commissioner Palmer is a good one. A great many Legislatures will convene during the first days in January. If we have a meeting, it should be in December, I think.

Mr. Palmer: In order to make it definite and so that when we leave here we will know what is on hand for the future, I move that this Convention do now adjourn to meet in New York on Monday, December 16th.

Mr. Brumbaugh: Just a word before that motion is put. It has been suggested to me that it should go on the record that we request our Secretary to take proper action concerning the resolutions of appreciation that have been adopted.

The President: That is understood.

Mr. Palmer: I desire to amend my motion that this Convention now adjourn to meet in New York city on Tuesday, the third day of December.

The President: Before adjournment I will turn the chair over to President Hardison.

(At this point President Hardison took the chair, ex-President Potter retiring.)

The President: There is one matter that it seems to me should be attended to at this time in order that we may get the work under way. You will recollect that a resolution has been adopted for the appointment of a special committee on the classification of fire insurance risks, and the Chair would appoint as that committee Superintendent Emmet and Commissioners Potter, Ekern, Mansfield and Young.

Mr. Palmer: If it is satisfactory to the Convention, I will now renew my motion that we now adjourn **to meet in New York on Monday, December 2d, at 10 o'clock a. m.**

Motion duly seconded and adopted.

The Convention then adjourned.

APPENDIX.

COMPENSATION TO INJURED WORKMEN.

By Hon. F. H. Hardison, Insurance Commissioner of Massachusetts.

So much has of late in this country been said and written upon the subject of "Workmen's Compensation" that nothing new or specially illuminating need be expected. Although the people of the United States have only recently been awakened upon the subject, they have with their usual impulsive force and vigor widely discussed it and in many States have gone to the extent of legislative action. To be sure, in this respect, we are a quarter of a century behind Germany and also behind most of the more enlightened countries of Europe, but let us hope that having had the benefit of their experience our enactments may prove even more efficient in preventing waste by reducing litigation and by lessening the number of accidents and cutting down the delays in obtaining compensation by the injured party inherent in the Employer's Liability system, which system has placed upon the injured employee the burden of proving that his injury was due to the negligence of his employer.

Now in view of the fact that there has been of late so much discussion of this subject and of the further fact that there seems to be a general agreement upon the soundness of the principle that the industry should be made to bear the burden of the loss on account of the injuries to persons employed in that industry, it has seemed best to forego any general discussion of the subject in this paper and to confine it to a statement of what we have undertaken to do in Massachusetts by the law which took effect the first day of the current month to bring about a juster and sounder treatment of those who are employed in our Commonwealth, with the hope that it may be of interest and perhaps of service to those in other States who are confronting the same great problem.

The special features of the Massachusetts law will first be treated and then some of its general features, following which will be comments upon some of its provisions.

The first special feature to be noticed is the establishment by the compensation statute of the Massachusetts Employees Insurance Association. It was intended by the framers of the law that this association should carry all the insurance required by the law, thus becoming a great corporation which should pay all Workmen's Compensation benefits. It was not, however, to be run by the State nor was the State to be responsible for any of its undertakings. It was designed to be a mutual company, operating on the same basis as our many Massachusetts fire mutual and furnishing insurance at cost. If the original premium charged for the insurance was too high, the excess was to be returned; if too low, the deficiency to be made up by a still further payment. In theory the scheme was sound for providing insurance at cost with

no profit to any outside corporation. The whole act was drawn around the idea of this one single mutual company as the insurer, the company to be under the supervision of the Insurance Commissioner just the same as any other insurance company, but in addition its distribution of industries into groups, its rates and its dividends were to be subject to the Insurance Commissioner's approval.

It was probably expected by the fathers of the bill that there would be an effort made by the liability companies to break into this charmed circle which was to surround the new mutual company. And that was the result. Private insurance companies had no notion of allowing all this volume of business which they had been carrying as liability insurance at more or less profit for so many years to slip from their grasp, for if they had not all made money on it in the past, on the principle that

"Hope springs eternal in the human breast,"

they all hoped to do so in the future. Of course they got the bill amended so as to let all liability companies admitted to the Commonwealth insure against the workmen's compensation liability. This distributed an opportunity which had been designed for one among about twenty-five companies, some of them old stagers and old fighters whose managers knew well how to throttle infant industries which might threaten to become important rivals, or which might by their continual cries for succor disturb the peace and serenity of their elders. Of course it became necessary to devise some plan of protection. The plan adopted was to make the Insurance Commissioner in a certain sense the association's godfather by placing upon him the burden of seeing that its life was not squeezed out by the compression of rates to an inadequate basis by the stock companies. Its protection was all contained in a little legislative commandment to the effect that all companies insuring compensation under the act shall file their classification of risks and the rates pertaining thereto with the Insurance Commissioner, which rates shall not become effective until they have been approved by him as adequate. Any change in the classification or rates must also be filed with the Insurance Commissioner and be approved before they can be used.

In view of the fact that no one—no not even an Insurance Commissioner, who is thought by some to be all-wise in respect to all insurance matters—could tell what would be an adequate rate with any degree of closeness, it was deemed expedient to supplement that power given to the Insurance Commissioner by a still further right of exercise of authority, namely, to withdraw any rate at his pleasure which he had approved.

This prohibition of the use of any rate not first filed with the Insurance Commissioner and approved by him is the second of the special features of the Massachusetts law to which your attention is called. The question naturally arises as to how the plan will work. Much depends upon the Insurance Commissioner. He, it will be readily seen, has the power to prevent cut-throat competition. He can so control the situation as to give the mutual association a fair chance to start and then to live, if it is worthy of life. If not, for the reason that it cannot furnish as good protection at as low rates as its competitors can in the long reach

of time, then it has no place in the modern efficiency view and ought not to expect to be longer protected, and will not be. But it will live and thrive. Whether from policy or better motive, the stock companies instead of evincing hostility have shown a spirit of friendliness, even going so far as to express a willingness to give the association the benefit of any experience they may have had with any particular plant or industry where they have carried liability or workmen's collective insurance. The harmonious working together of the two classes of companies is very desirable, but not of course to the extent of a combination that will hold the rates at an excessively high standard, a situation that the Insurance Commissioner cannot directly remedy, for his authority is to prevent inadequate rates, not to call in question excessive ones.

It is hoped that the result of the establishment of the mutual association and the granting to stock liability companies the right to insure compensation, with power lodged with the Insurance Commissioner to see that the rates are adequate, will be competition that will from time to time impel the various companies to file such new rates with the Insurance Commissioner as may be justified by experience and by inspection, so that the employer who introduces all approved safeguards for the protection of his help, who employs skilled and humane superintendents, who is on the alert to instruct his employees in the exercise of due care, can have a rate for his protection that shall fully recognize his endeavors to prevent accident, for, after all, the best part of this movement is **prevention**, and the plan which does not keep this in view and make it an object for the employer to use means to prevent injuries as far as possible fails in one of its most important features.

How, you may ask, is the Insurance Commissioner going to test the adequacy of new rates that may be filed in behalf of an employer, who claims a good record and an establishment well safeguarded? So far the Insurance Commissioner has established two bureaus for doing this work—a Statistical Bureau and an Inspection Bureau. The duty of the Statistical Bureau will be to collate and classify all the information with reference to injuries which are covered by the act, notice of which must be sent to two different State departments. This classification will be by industries and also as far as practicable by specific establishments where they are large and important. But before that experience becomes available it will be a part of the Commissioner's duty to call for and analyze any experience that the employer seeking a lower rate may have had in his plant as revealed by his own records or by those of any company which may have insured him under liability or workmen's collective policies. This bureau will also have in charge the duty of seeing that the companies in their annual returns make out properly and fully a special Massachusetts schedule which will be designed to bring out in full, year by year, the experience of the companies under this Massachusetts law, so that it may be seen by a sort of Gain and Loss Exhibit in that schedule whether the Workmen's Compensation business has been profitable or unprofitable in our Commonwealth. By starting this statistical record at the time the business starts to which it pertains and by requiring the companies to disclose fully their experience, it is hoped that it may become evident whether the business is

being written on a sound basis which affords the private companies a fair margin of profit, which all concede that the employer ought to indorse if he gives his business to a stock company, for he ought not to expect that it will do business without a margin of profit, knowing that he himself would not continue to employ men unless there is a consideration for so doing.

The Inspection Bureau will have a function to perform scarcely less important than that of the Statistical Bureau, especially when requests are made for a reduction in rates. In such cases it is the purpose to have the companies not only give a record of their experience with the employers with respect to accidents, but file with the Insurance Department a full report of the inspection of the risk by the companies' own inspectors. This will be examined by the head of the Department Bureau and he will determine whether it is desirable to have the department send one of its corps of inspectors to make a survey of the establishment. If so, there will be a special investigation; if not, the department will decide from the information gleaned from the inspection papers so filed and from such reports as it may obtain of the experience of the employer in regard to accidents to his help, whether there should be a reduction in the rate originally filed with the Insurance Commissioner.

It will thus be seen that by these two special features of the Massachusetts Workmen's Compensation Act there are introduced two provisions which if they operate as intended will work out important results. The association which is established will keep alive the element of competition, and thus give the public as low rates as the insurance can be written for, and also give every employer the advantage of all safeguards for his workmen which he may introduce; the authority of the Insurance Commissioner to prevent the adoption of inadequate rates will prevent the elimination of the association, if it shows that it can successfully perform the function assigned to it.

Another special feature which is causing a good deal of controversy, and may lead to litigation, is the provision which requires double compensation to be paid to the injured person in case the injury is due to the "serious and wilful misconduct" of the employer or of his superintendent. In case of such double compensation, the employer must pay to the insurance company the extra compensation it is bound to grant the insured party under the act. The question arises whether the employer can insure against this liability which exists only in case of his "serious and wilful misconduct" or that of his representative. Is it not against public policy to permit such insurance? This provision for double compensation should, I think, have been omitted from the act, and a direct penal statute provided instead. It was put in, however, because demanded to balance up a provision that an employee would not be entitled to compensation in case of his own "serious and wilful misconduct."

The general features of the act are not different from those of many of the compensation acts which have been drafted in this country. While it does not by direct language compel an employer to insure compensation to his employees, which would violate a provision of the State Constitution, it provides such penalties if he does not as to amount to compulsion, for it says to him that he

may not hereafter, except in case of domestic servants and farm laborers, plead, in case of their injury, that it was due to their own neglect or carelessness, or that of a fellow employee, or that they assumed the risk of the occupation. With these defenses removed, the companies figure that in Massachusetts the cost of Employer's Liability Insurance will be in excess of the cost of Workmen's Compensation Insurance, and have expressed a purpose to charge twenty-five per cent. more for it.

You will note that in case of domestic servants and farm laborers the defenses of the employee have not been removed, and this has been construed by many to mean that compensation insurance is not to be written to cover such employees; by others it is held that as they are not specifically excluded from the general operation of the act, an insuring company will find that in case of the injury of a domestic servant or a farm laborer of a subscriber it would be bound to pay the compensation provided by the act. Unfortunately the act is not clear in this respect.

The act requires the employer to do something to become a subscriber; if he does nothing, as the tendency of human nature is if it is in doubt, his old common liability remains as his burden, increased by the removal of the old defenses. It would have been better, in my opinion, to have provided that employers should be held to have accepted the provisions of the compensation act, unless they took definite steps to the contrary. This would have made human inertia an ally of the movement for compensating injured workmen on the new plan, which is more direct, more certain, more prompt, more humane, and less wasteful than the old.

The act attempts to prevent the delay and waste inherent in the old liability insurance system by ousting the old suit method of obtaining redress by the injured workmen. A board of five is established by the act, called the Industrial Accident Board, whose duty it is to see that the claims arising on account of injuries to employees of persons insured under the act are properly adjusted. The claim is to be made upon the insuring company and not upon the employee. If the company and the injured party agree upon the compensation to be allowed, a memorandum of the agreement must be filed with the Board, and if approved by it the memorandum shall be enforceable as a decree by the Superior Court, but no agreement may be approved that does not conform to the provisions of the act. If the company and the injured person fail to agree in regard to compensation either party may notify the Board, who must thereupon effect the formation of an arbitration committee, consisting of a member of the Board as chairman and two other members, one to be chosen by the company and the other by the injured employee. In case neither party selects a member of the committee within seven days, the Board fills the vacancy. The committee is required to give hearings where the accident occurred and its conclusions must be filed with the Board, and unless within seven days a claim for review is filed by one of the parties, the decision stands; but if there is a demand for a review the Board is required to hear the parties and file its decision as the controlling record of the proceedings, subject only to the right of appeal to the Supreme Court on questions of law. The

fees of attorneys and physicians for services under the act are subject to the approval of the Accident Board.

It will thus be seen that the act provides for a reasonably simple and expeditious method of settling disputes as to the amount that shall be paid on account of an injury. The delays incident to crowded court dockets, to attempts to tire out a needy employee and bring him to an adjuster's terms, to the complacency of courts in helping out lawyers whose cases are pressing them to attend to many things at the same time—will all be cut out. The jury system of passing upon facts is superseded. The ambulance chaser with a proposition to fight the case for a percentage of the amount received, is eliminated. The expert medical man who can generally be retained for either side and will give his opinion accordingly at a compensation swollen out of all proportion when its value is considered will find that his chances for fat expert fees have departed. This method of handling claims ought of itself to bring the result that a very much larger proportion of the premiums which are paid to liability companies will go to relieve injured workmen, for most of the adjustment expenses will be cut out.

There is one other division of this subject in which you as insurance supervisors will be interested, and that is a comparison of the methods adopted by the stock companies and the mutual for arriving at the rates to be charged for compensation insurance in Massachusetts. The stock companies, as most of you know, have for some time had a bureau for collating statistics relating to accidents under liability and workmen's collective policies, for compiling rates and rules for manuals, and, generally, for filling a storehouse with valuable information regarding all forms of liability insurance—one of the most difficult kinds of indemnity for the underwriters to handle satisfactorily for company, insurer, or the public. This bureau represented while it was establishing rates for the Massachusetts act some fifteen of the twenty-two stock liability companies which had authority in Massachusetts. Its experts, together with a committee of liability underwriters, who are officials of some of the best known of the companies, undertook the work. The old method of charging for a risk a certain amount per \$100 of pay roll was adopted as the basis and this amount per \$100 was varied according to the degree of hazard. It runs from fifteen cents for office employees to \$25 for blasting.

The figures are the result of estimates based on experience as shown by the statistics of other countries which have adopted compensation acts, and upon personal accident, workmen's collective and employers' liability policies in this country. No one pretends that they are anything but the very best guesses of the best guessers in the business, who in making their guesses have had the advantage of a thorough knowledge of the proper rates to be charged for kindred lines.

It was for some time a subject of interest as to whether the stock companies not belonging to the statistical bureau would individually work out a manual of rates, but as the time drew near for filing rates it became evident that it was a task they did not care to undertake. The result was that each of the stock companies filed the same manual, setting forth the same rates under the same rules, and providing for the same compensation of agents, which is seventeen and one-half per cent. for general agents.

twelve and one-half per cent. for local agents, and ten per cent. for brokers, no extras for rent, clerks or otherwise to be allowed in any case. The stock companies are therefore all operating under the same rates and rules.

The rates for the mutual association were computed by Mr. S. M. Wolfe, of New York, the well known insurance expert and actuary. He upon a study of the problem concluded that the pay roll could not be taken as the basis for computing the premium as a whole on account of the benefit requirements of the act, which provides that the compensation of injured employees, after the first two weeks, shall be \$4 per week for those receiving wages of \$8 per week or under, half-time wages for those receiving over \$8 per week and not over \$20, and \$10 per week for those whose wages are in excess of \$20 per week. In addition, there must be medical and hospital service for the first two weeks, whether or not other benefit is paid. Mr. Wolfe took the ground that the cost of the medical and hospital service is not dependent upon the pay roll so much as upon the number employed, as for instance if there were 1,000 employed at \$6 per week in a given plant and 1,000 at \$8 per week in another plant of the same industry the cost of medical and surgical attendance ought in the long reach to be the same, but the pay roll in one case is \$6,000 per week and in the other \$8,000, a fixed percentage of which would result in a greater charge to one concern than to the other where the hazard and probable cost for this benefit would be the same. He, therefore, bases the medical and hospital benefits on the number of employees and not upon the pay roll. So, too, in those cases where the compensation is not one-half of the wages, he reasons that the rate cannot be properly made on a strict pay roll basis as the employee getting \$6 per week has the same compensation as the one receiving \$8, and the employee receiving \$30 is entitled to no greater compensation than the one receiving \$20. He, therefore, takes these facts into consideration and makes up a formula for computing the premium for any given concern by giving each of those provisions for compensation its due weight. The process is somewhat complicated. Furthermore, he groups the various industries into classes of the same hazard according to his best judgment, and to each of these classes assigns a rate which it will cost for each of the divisions into which compensation is divided, namely, compensation for death and dismemberment, compensation for other injuries and for medical and hospital service. Knowing the number of employees receiving \$8 per week and under and the total thereof, the pay roll of those receiving over \$8 and under \$20, and the number of employees receiving \$20 per week and the pay roll thereof, he can, by applying his rate and his formula, compute on a scientific basis the premium for the concern to which the facts apply. Of course the guess work factor is not absent. Its uncertainties appear in the classification and in the rate which applies to a given class. These estimates are based upon such statistics in regard to accidents among employees as were available and upon a knowledge of insurance matters as it relates to kindred lines of business. The plan is more or less intricate and the face of even the actuary used to delving into the problem of proper rates for liability and accident insurance takes on a shade of perplexity when he first takes up to examine the rates filed

with the Massachusetts Insurance Department for the mutual association.

There is a practical side to this subject that we as supervisors should not lose sight of, and which is bound to develop more and more interest. Unfortunately perhaps the compensation laws of no two States have the same provisions. They differ in compulsory features, in benefits to be paid, in prescribed methods of administration and in scores of other ways. This business as transacted by the insurance companies will be reported in their annual statements. They will state in income the amount received for Workmen's Compensation premiums if required to separate it from other liability premiums, and will show in disbursements what they have paid out under such contracts. In each of the other divisions of the annual statement blank they will give the information asked for—some of them with painstaking accuracy, others in a shifty, don't-care spirit which tests the patience of the department auditor.

But this usual information given in the usual way will not suffice for Workmen's Compensation transactions as it has for those in other lines of the insurance business. I take it that each State will want to know from each of the companies what has been the result in that particular State. At any rate, the Massachusetts Commissioner, having had placed upon him the duty of seeing that the rates are adequate for the several classifications, is compelled to know the experience of each company, not only in each of the classifications of its manual, but also with each risk upon which a special rate has been approved on account of the excellent conditions pertaining thereto. To illustrate: One of the classifications of the manual is "Boot and Shoe Manufacturers." The rate is eighty cents per \$100 of pay roll. The Massachusetts Department will want at least to know from each company the amount of premiums it has collected under this classification, the amount of those premiums earned, the amount it has paid and the amount it is obligated to pay on account of all injuries that occurred prior to the date of the statement. In addition, it will require full information as to the expenses connected with obtaining the business, the expenses of inspection of the plants, the adjustment of claims, and all other specific expenses. This may not exhaust the requirements, as the blank for returns has not yet been completed. As, however, there are about 1,500 classifications in the manuals on file, it must be evident that quite a program is being laid out for the companies when I state that it is our purpose to furnish a blank which will afford space for giving the above outlined information in respect to each class of risks it is insuring under the Workmen's Compensation law of Massachusetts, and for combining the figures of each class into one whole, which will show whether the company has or has not been doing a profitable business in this line in Massachusetts. The aggregates will probably be published, but the returns with reference to specific classes and risks will doubtless be for the sole use of the department in determining the adequacy of rates and for the use of other insurance departments should they be needed for a kindred purpose.

Will not this place a heavy burden upon the companies? The answer is that if a company keeps such records as it should keep, it means simply the transcribing of the parts of the records called for, which would involve no great amount of expense. If it has

not made such a record for its own use, it will involve a large amount of work, but it will be worth to the company all that it costs. A company which does not keep such a record is like a ship without a log, and if it sails the seas safely it is because fortune has favored in the absence of prudence and foresight.

In conclusion, I will indulge the thought that some day these State laws with reference to compensation will be brought into some semblance of uniformity and harmony. In this process the best provisions will naturally be saved and a better law than any that we now have be the result. The Insurance Commissioners of the country can, if they see fit, be an important factor in determining what shall go into that future and—let us hope—better law.

EXPENSE AND RATES OF FIRE INSURANCE COMPANIES.

By Hon. S. R. Barton, Auditor and Ex Officio Insurance Commissioner of Nebraska.

At the April meeting of the Insurance Commissioners in Chicago I was assigned the duty of preparing some remarks for the Spokane meeting upon the expenses of fire insurance companies, and if I had known at the time I accepted this assignment just what it really signified, I should have hesitated before I undertook the work of preparing this paper.

I was at that time, in a rather vague way, as I am now more clearly, of the opinion that the expense of conducting the fire insurance business in this country is greater than it ought to be, but I had not at that time gone fully into the detail, nor had I investigated the growth of the business with any considerable care, nor did I know, except generally, just how the expenses of this industry in the past forty or fifty years had grown, nor the items of the increase.

It is true, reports of something like one hundred and fifty companies have gone through my office during my term as auditor, and I perhaps know as much about the statements as the average supervising officer, but, in common with others, I had perhaps not given any very minute attention to the infinite detail of this business of fire insurance, nor made any systematic attempt to account for what seemed an abnormal, and, possibly, an unnecessary growth in the expense of transacting this business.

It is necessary also to warn you in advance that this discussion is going to be a dry one. A dissertation upon "fire insurance expense," no matter how interesting to those in the business, or instructive to those out of it, is not likely to be interrupted by "loud applause" or "vociferous laughter." Some genius has suggested that "figures are dry;" they are all of that.

Preliminary to an analysis of fire insurance expenses, a statement of a few important facts about the business is probably in order and is necessary to a proper understanding of the suggestions which follow and the conclusion at which we may later arrive.

As shown by the report of the National Board of Fire Underwriters, May 23, 1912, the result for 1911 of 180 joint stock fire insurance companies, reporting to the New York Department, was as follows:

Premiums, fire, marine and inland.....	\$294,071,982	
Losses paid, fire, marine and inland.....		\$158,392,630
Increase in liabilities during the year (out- standing losses, unearned premiums and all other classes).....		16,840,733
Expenses		116,900,483
Profit (.66 per cent. of premiums).....		1,938,136
	<u>\$294,071,982</u>	<u>\$294,071,982</u>

These figures include some marine premiums of the companies doing both fire and marine business, but they are not material to the discussion nor sufficient in amount to substantially affect the percentages shown by this table.

They also do not include a number of companies not licensed in New York, but these also would not materially affect the results shown by the National Board tables which, with the Spectator figures, I have used in preparing this paper, nor the ratios shown in the tables I have used.

The loss ratio explains itself, and the item of \$158,392,630 is equivalent to a loss ratio of 53.93 per cent.

The increased liability charged in the expense column to unearned premium reserve and additional outstanding losses is also self-explanatory, and the last item in the statement, viz., \$1,938,136, represents an underwriting or trade profit of .66 per cent., which certainly is not large enough to require any explanation—indeed, is so small as to be negligible in this or any other discussion of fire insurance economics.

It is with the important item of \$116,900,483, under the head of Expenses, that we are concerned, and this item, representing as it does a very considerable part of the entire premium receipts of the country, I propose to analyze.

Before doing so, however, it is perhaps necessary to consider two or three general characteristics of the business and to briefly call attention to a few facts in its evolution.

There is one very important fact about the fire insurance business which is not considered in many discussions of the expense question, and that is: it is essentially a retail business and of necessity subject to the various charges incident to all retail transactions.

From the policyholder to the stockholder is a long road, and when a five dollar premium starts upon its eventful way from the small dwelling owner in the Panhandle of Texas to the home office in Hartford, through the local agent, the Western department and the home office, with the numerous way stations made necessary by modern methods, with the certainty that the fire waste will absorb fifty-four cents of each dollar, it is not surprising that only a little more than one-half of one per cent. at last is "profit," and may find itself finally in the pocket of the stockholder.

In the last analysis, fire insurance is a peddling business, retailed as minutely as groceries, and as a commercial transaction the call of the insurance agent does not differ in essence from the visit of the huckster who drives up the alley with green corn and new peas, or the early morning excursion of his brother the milkman or the iceman.

Another consideration which must be constantly kept in mind is this: In ordinary commercial transactions the price of commodities is fixed in advance, or may be fixed, by some known rule, preserving a proper relation to the cost of producing the articles in question; in other words, the "laws of trade," of "supply and demand," and similar considerations enter into and are determining factors in nearly every matter of barter and sale.

In fire insurance this is not true, because the insurer never knows what the indemnity he sells will really cost him until his policy has expired and he knows whether his risk is to burn or not, and he is eternally confronted with the conflagration spectre which may, in

a single day, wipe out the profits of a quarter of a century of conservative underwriting.

Again, the labor cost, which is also the subject of great fluctuations, is the most important element of cost in nearly everything sold by industrial or commercial enterprises.

Steel rails sell at about \$28 per ton, and recently the examination of a lease for some ore beds disclosed the fact that royalty was twenty-five cents per ton; in other words, all the \$28 for which a ton of steel rails sells at retail is labor in some form or profit, except twenty-five cents.

Fire insurance is not commerce, according to the Supreme Court of the United States, and so its operations are not subject to the ordinary laws and rules applicable to commercial activities.

On the contrary, it deals in *indemnity*, not by wholesale, but in a fashion essentially retail and subject to all the infirmities and detail charge of a retail business.

Again, we are called upon to deal with the problems of fire insurance as we find them in the industry today, in this year of our Lord nineteen hundred and twelve, and with full knowledge that more than a century of evolution has produced in this business no greater infirmities or inequalities than will be found in any average industrial or commercial enterprise of equal importance.

The evils in fire insurance are truly the result of *evolution*, not invented or designed by any one, not particularly the fault of any one, not even those who have been conducting the industry, but are conditions, the outgrowth of expediency, of competition, and the numberless and nameless exigencies of a great and exceedingly complex business.

We must approach a discussion of any phase of fire insurance with an open mind, commending it where commendation is merited, condemning where condemnation is deserved, but fully realizing that most of its sins have come without design or intention and have stolen in like "a thief in the night," and the business itself would gladly get rid of them if it knew how.

That we may have a better understanding of the growth of fire insurance in America and get into the record a few figures which will be suggestive, I quote from the Spectator Year Book, edition 1911, using only round figures:

For the period from 1860 to 1870, inclusive, the average annual premium income of American and foreign fire insurance companies was \$29,000,000; from 1871 to 1880, \$54,000,000; from 1881 to 1890, \$83,000,000; from 1891 to 1900, \$122,800,000; from 1901 to 1910, \$222,500,000, and for 1911, \$294,000,000; in other words, stock fire insurance has grown in this country from about \$25,000,000 of premiums annually in 1860 to nearly \$300,000,000 in 1911, during fifty years has collected from the people \$5,400,000,000, 58 per cent. of which has been returned in fire losses, because the records show that a summary of experience, during that long period of more than half a century, produces a loss ratio of a fraction more than 58 per cent. of premiums received.

Another interesting and somewhat startling fact is, that during that same period more than eleven hundred stock fire companies were launched in this country, lived their lives, mostly of loss and disaster, and passed out of existence, a majority of them with great financial loss to their promoters and stockholders, and very fre-

quently with loss to policyholders, and the close of 1911 found only 180 stock companies, American and foreign, reporting to the New York department, and these are substantially all the companies of considerable importance operating in this country.

With this record before us, is it not very clearly the duty of every Insurance Department to warn the people against investment in insurance stocks exploited by promoters who absorb from fifteen to fifty per cent. of the original investment before the company writes a risk or produces a dollar of income?

The Kansas "Blue Sky" law may be a joke to the newspaper humorist, but it is a stern reality to the promoter of "wild cat" corporations and a blessing to the people who save their money through its supervising care.

The States should do less worrying about the practices of existing insurance corporations and give more attention to protecting the people against "fly-by-night" concerns which will never yield a profit to anybody but the promoters.

Let us now return to the expense item of \$116,900,483, shown by the report of the New York Department for the year ending December 31, 1911, and see just how this great sum of money, paid for doing fire insurance business during the last year, was expended.

To begin with, we find the item of \$64,842,912 for commissions, which solves considerably more than half the problem, and this factor we will reserve for further consideration later in these remarks.

At the close of last year, the companies reporting to New York had total admitted assets amounting to about \$535,000,000, and total insurance in force amounting to about \$40,000,000,000, and for last year the total salaries of all officers and home office employees amounted to \$24,140,938, not larger, I think, than the cost for like service in conducting any business of equal magnitude, and during the same year the several States of the Union levied upon stock fire insurance companies, domestic and foreign, for taxes, license fees, and other State and department requirements, \$8,236,528.

During the year there were losses on investments and securities sold of \$788,343, which still leaves to be accounted for out of the expense item \$18,891,762; and, using round numbers, this may be divided about as follows:

Expense of adjustment and settlement of losses.....	\$ 3,260,000
Rents	1,850,000
Advertising, printing and stationery.....	2,950,000
Postage, telegrams, telephone and express.....	1,880,000
Legal expenses	260,000
Furniture and fixtures.....	350,000
Maps, including corrections.....	730,000
Underwriters' boards and tariff associations.....	2,100,000
Fire department, patrol and salvage corps assessments, fees, taxes and expenses.....	1,500,000
Inspection and surveys.....	1,100,000
Repairs on real estate.....	670,000
Decrease in book value of ledger assets.....	1,200,000

Agents' balances charged off.....	\$ 125,000
Traveling expenses, mercantile agencies, exchange, sub- scriptions to newspapers, commercial reports, incor- poration expenses, collection fees, auditing, and sundry small miscellaneous expenses.....	916,000
	<hr/> \$18,891,000

This comes within a few hundred dollars of accounting for the whole sum of \$18,891,762, mentioned a moment ago, and it may be added that the total profit of stock fire insurance for the year 1911, outside of the underwriting profit, was approximately \$32,700,000, of which \$21,000,000 was divided amongst stockholders in dividends and the remainder, \$11,700,000, carried to surplus for the additional protection of the policyholders of the companies.

Of the \$21,000,000 of profits, about \$12,500,000 were distributed to the stockholders of American companies and \$8,500,000 sent abroad by the foreign companies.

I have taken the trouble to thus minutely analyze these figures, because from time to time in the public press, in various addresses, and, indeed, in meetings of this association, and in the reports of the various State departments, there have been found many very loose statements upon the subject of expense of fire insurance, and I was moved, as much by curiosity as by any other influence, to take the New York report and analyze these items with some care for the purpose of determining just what was done with the money of the insurance companies, and I find, as above indicated, that the important item of more than one hundred and sixteen million dollars may be subdivided in round numbers into the items I have above mentioned.

At the meeting of the Insurance Commissioners at Mobile, two years ago, a resolution was passed advising in favor of a reduction of certain expenses of fire insurance companies, but commending the industry for such expenditures as were made for the prevention of the fire waste and a better inspection of the business.

Without going further into a critical examination of these various items of expenses, I believe you will all agree with me that there is no possibility of any very marked reduction or any very great saving to the insuring public other than may be found in the first and most important item, viz., \$64,842,912, paid for commissions, a commission ratio upon the premiums reported to the New York department of 22.05 per cent.

I do not need to suggest that if we are to have a reduction in fire insurance rates in this country, it must come from one or two sources, namely, a reduction of the fire waste or of the commission expense.

We learn from the Spectator tables that in the year 1860 the average commission of foreign and American companies was about eleven per cent., and that from time to time, and for reasons which need not be here discussed, the commission charge increased until at the close of the year 1890 it had risen to 18 per cent.; that by 1900 it was a little above 20 per cent., and that at the close of the year 1910 it was 21.61 per cent.; and for 1911 it was 22.05 per cent.; and that the average commission paid upon fire insurance for fifty-one

years is 19.11 per cent.; in other words, the commission charge last year was twice as much as it was fifty-one years ago.

Referring again to the Spectator tables, we find that the expense ratio for American and foreign companies has increased from 31.06 in 1860 to 39.75 in 1911, or 8.69 points.

It will be noticed from these figures that, during the ten-year period ending with 1870, the average commission charge was 11.32, and the average expense other than commission was 20.74; for the next ten-year period, commissions 14.89, other expenses 18.27; for the third decade, commissions 17.95, other expenses 17.21.

Since 1890, the end of the third period mentioned, the general expense has remained about stationary, but commissions have substantially increased, so that for 1911 we find the ratios: commissions 22.05, other expense 17.70. With all the additional burdens put upon the industry in the last quarter of a century, including laboratories, fire prevention and educational agencies, inspections, map service, rating bureaus, additional taxes and the numberless innovations made necessary by increased complexity, importance and modern methods, the fixed expense has actually been decreasing, and when we consider the fact that in 1860 practically no taxes were assessed against fire insurance, and that now the tax amounts to about three per cent., the actual decrease in fixed charges under the control of the industry, has been a fraction over six per cent., while the commission charge has increased a fraction less than eleven per cent.

This decrease in fixed expense has been made possible, in the face of the increased needs of the business, by the enormous increase in the volume of premiums, which of necessity reduces the fixed charges, and also by improved and up-to-date business methods.

Carefully considered, I think these figures will satisfy any fair-minded student of the fire insurance business that there is no hope for reduction of expense in the factor of fixed charges, unless the States will confine their tax demands upon premiums to an amount sufficient to properly maintain the Insurance Departments, and will cease levying contributions upon the thrifty insurer for the benefit of his improvident and uninsured neighbor for the support of fire departments and firemen's pension funds.

If this charge might be modified to answer the only proper economic function of a premium tax, viz., the support of an efficient and well paid Insurance Department in each State, a saving of nearly two and one-half per cent. could be made in the fixed expense of stock fire insurance companies.

Returning again to the commission charge of 22.05 for 1911, and analyzing the business written during that year, taking into account the various terms and classes used in placing the business upon the books of the companies, and calculating the whole premium charge according to the scale of graded commissions used by the Western Union, which is 15 per cent., 20 per cent., and 25 per cent., according to character of risks, we find that last year's business would have resulted in an average commission of 19.03, or 3.02 less than was actually paid, or, to reduce this statement to dollars and cents, last year the companies paid on \$294,000,000 premiums about \$9,000,000 more than graded commissions.

This looks like a lot of money, and added to an individual fortune is a large sum, but when related to the total premium receipts of

the country it is not so important as popular opinion has induced us to consider it. If commissions on insurance should be permitted to increase in proportion to the increase in the cost of living, 19.03 per cent. is not seriously out of the way.

Here is an item which, in the opinion of most supervising officials and fire insurance executives and managers, might be reduced so as to make a substantial saving and do no violence to sound underwriting practices.

It is true that the retail cost of all commodities has very greatly increased since the commission upon fire insurance premiums was ten per cent. In 1860, and long since that time, eggs sold for eight cents a dozen, and butter at ten cents a pound, wheat at forty or fifty cents a bushel, oats at fifteen cents, and corn at twenty-five cents; bacon and beef at eight or ten cents a pound, and potatoes and turnips at what you were willing to pay; clothing and lumber and fuel were correspondingly cheap; and in 1911 the cost of living has doubled, and perhaps more, since those days of cheapness.

It is true that insurance agents, like other people, must eat and be clothed and sheltered, but it is not believed that the increased commission charge has come entirely in obedience to economic law, but rather as a result of a wild and, sometimes, unreasonable scramble for business, and that present conditions are the inevitable outgrowth of unrestrained and expensive competition.

Now, there does not appear to be very much doubt in my mind about the proposition that a considerable part of this excess charge has been taken from the pockets of insurers least able to pay the expense of insurance warfare, viz.: the small insurer.

The buyer of large amounts of fire insurance can, and usually does, protect himself, or, if he does not, the agent who has his business protects him and not infrequently secures for him advantages he should not receive, but the little fellow must fend for himself and usually gets the worst of it.

Without going just now into details, I think the application of fire insurance rates and the tax for fire premiums are out of adjustment and that most of the expense evils, particularly the commission factor, are the result of this lack of proper adjustment; in other words, the premium tax is not fairly distributed according to hazard, and, consequently, individual risks or whole classes of risks are bearing more than an equitable share of the insurance burden.

The first and most noticeable result of this condition is the so-called "preferred" business which is, and always has been, a breeder of high commission and discrimination. The term itself indicates that it has no proper place in fire insurance economy, because a proper adjustment of rate to hazard will put all risks upon practically the same plane of desirability.

I am very strongly of the opinion that the insurance companies should so adjust their rate making schemes that the "preferred" classes would be eliminated, and that they should speedily return to some uniform basis of compensation to agents, along the lines originally adopted and for a long time observed by the "Western Union," a flat commission, no matter what the character of the business.

Then the "flat commission" was fifteen per cent.; now, perhaps, that is not high enough—very likely not—because we must include

in all our calculations the fact that the average rate in this country is being reduced every year and fifteen per cent. commission on an average rate of 1.1697 in 1907 will produce more money than upon the average rate last year, which was 1.0594.

Personally, I do not believe that the point of attack lies in the commission, anyhow, but in the application of the rates, or, speaking more exactly, in the distribution of the premium charge.

The term "preferred business" can have no insurance significance, unless it means that insurance companies want that rather than some other classes, and but one reason can be assigned for this preference, and that is, it is more profitable than other classes; hence, the race to secure it, and the excess commission which is the necessary result of this sort of competition.

If we can do away with the conditions which make 35 per cent. or 40 per cent. commissions upon any risks possible, the commission question will settle itself. The remedy lies not in the limitation by statute, either of the total expense or the commission factor, but by a proper and stringent anti-discrimination law which applies, not only to discrimination between individual risks, but as between the classes themselves.

It may be that the flat commission idea in its practical working might not be entirely fair or satisfactory, because where values are small and property widely scattered, a higher compensation to agents may be proper, but where this condition is found, let the rate be adjusted so as to take this into account.

This excess commission evil has had another effect which has been the subject of frequent adverse comment, not alone from insurers and department officials, but from the insurance companies, and it is this: It makes possible the broker, the hanger-on in the fire business, whose occupation would soon be gone if the "meat on which he feeds," viz., high commissions, was eliminated.

I only call attention to the broker in passing; he has been so frequently discussed and so roundly condemned in meetings of this association that I do not need here to give him more than a passing notice.

It is enough to say that I do not believe any individual should sell fire insurance or receive any part of the profits of the business unless he has a commission from a company and a certificate of authority from the State Department, or, if a broker, a State license, and then only when he has satisfied the department of his fitness to render a service commensurate with the compensation he is to receive.

This is a day of service, of efficiency, and the fire insurance business should not be exempt from the rule we apply to other commercial and industrial activities.

I do not think the State should regulate or fix commissions or expenses by law:

First. Because I think the remedy I have suggested strikes at the very root of commission abuses;

Second. Because I should hesitate about limiting commissions and leaving the other expense factors wide open, and, further, because I think the opportunity for evading such a law would be so great that the act would be a dead letter upon the statute book;

Third. I don't think such regulation necessary, any more than I think it necessary for a State to make fire insurance rates in order

to secure a proper and equitable distribution of the insurance charge; indeed, I am of the opinion that the recent State rate-making experiments have demonstrated that conditions are certainly no better, if they are not actually more unsettled, than before the laws were effective.

As suggested in the recent report of one of the Western Insurance Departments, the State's interest in the insurance charge is twofold: First, to see that it is fairly distributed according to hazard within the State; and, second, that it is not substantially greater than that of other States.

Just now the rates in some of the States are, as I have suggested, out of adjustment, and it is also true that some States have shown more than a normal profit for a long period—as long as thirty years—while for the same length of time other States have shown a corresponding loss. This ought to be corrected, and the insurance companies know it as well as we do, and would probably be glad to adjust conditions if they could; but, as shown by recent reports, their profit from underwriting last year was less than one per cent., and ten years—from 1902 to 1911—showed an underwriting loss of one-half of one per cent., and, in common with other business corporations, they get their profits where they can, depending upon the wide field of operation to make up in one State what they lose in another.

Attached hereto will be found a table showing loss experience of all States for thirty-one years.

There is some show of reason for this practice, because fire insurance must be nation-wide in its operations and averages, and no State can stand or fall by its individual experience, and no State desires to do so.

Let us face this question frankly and fairly; the insurance companies can reduce their rates in States showing for a long time a profit above the normal—indeed, a reduction would be easy enough without any reason—but any organized effort to secure a corresponding increase in unprofitable States, which they of course must have, would be met by a storm of protest which would be very shortly reflected in drastic legislation, which perhaps would take entirely away from the companies any voice in the price at which their indemnity should be sold. Many States have placed it entirely out of the power of the insurance companies to combine in any way for any purpose, no matter how obviously necessary or beneficent.

Don't misunderstand me. I am not advocating unrestricted combination, any more than I believe in unrestricted competition, but the doctrine nowadays, which has quite an appeal to reason, is combination under proper supervision; don't destroy the trust, regulate it.

There is much force in the suggestion made by Commissioner Palmer, of Michigan, in a recent address, when he took the position that, if a State refused to pay an insurance rate large enough to ensure a fair contribution by that State to the general insurance burden of the country, other States properly rated, or making a greater contribution than necessary, based upon their own experience, should refuse to license fire companies operating in the low rate States until proper conditions were secured. Ideally, each State should pay its own losses, a proportionate share of the

expenses, a proper contribution for conflagrations and extraordinary losses, and a reasonable profit.

More than this, in England, where there is no restrictive legislation, I do not find any very substantial difference in loss and expense experience from the ratios shown in the operations of American companies, as will appear from the table attached to this paper, taken from the Manchester, England, "Policyholder."

Now, I don't believe that laws regulating commissions or expenses, or providing for State-made rates, will help realize this ideal or even a remote approach to it; but I do think a properly drawn anti-discrimination law, including all these factors and administered by the State Insurance Department, will go a long way toward accomplishing the desired result, and I should be very glad to have the committee upon laws and legislation prepare and report to this meeting a uniform bill embodying these suggestions, and that it might have the support of this convention.

The besetting sin of the fire insurance industry is discrimination and all the lesser evils are the direct and natural result of the big sin; if we are to attempt a remedy, let us strike at the root of the tree, not lop off a few branches.

Fourth. I have stated that I did not favor limitation by law of the commissions paid by fire insurance companies, nor do I think the States should by law limit the general expense of carrying on the business.

I may as well state frankly just here that my mind has changed quite radically upon this matter since I began this investigation, because I had a rather well-defined idea that, if constitutional, a law limiting the total expense, outside taxes and fees, over which the business has no control, would be a wise provision.

For the purpose of getting proper data for the discussion of this expense question, I caused to be prepared a series of charts showing the expense ratio of all the companies reported in the "Argus" Year Book of 1911, and when I examined the result I confess I was somewhat surprised and was forced to modify my views upon the sort of limitation possible, and, indeed, upon the probable effect of any limitation.

I caused the companies to be separated into groups, ten in number, beginning with five of the largest, each having admitted assets December 31, 1911, of \$20,000,000 or more; then in a second group those with assets of \$10,000,000 or more, being seven in number; and so on, including a number of companies in each group, until at the end of Group Seven I had used sixty-four companies. Group Eight contains forty-five; Group Nine, twenty-three, and Group Ten, twenty-eight.

Arranged in the order of columns shown on the table is the following information: "rank," "name of company," "admitted assets December 31, 1911," "premiums received 1911," "losses paid 1911," "expenses 1911," "average loss ratio ten years, 1902 to 1911," "average expense ratio for ten years, 1902 to 1911," and "total."

Before I had this chart prepared, I was somewhat of the opinion that, if such a law was found expedient, an expense limitation of thirty-five per cent. of premiums would not be improper nor a matter of very great inconvenience to the companies; that they

could, by reducing commissions about four or five per cent., come within such a regulation and still do business.

Now I find that, based upon a ten-year experience, 4 out of the first 5 could comply; out of the second group of 7, only 2 could qualify; out of the third group of 9, 4; out of the fourth group of 12, 3; out of the fifth group of 7, the sixth group of 8, and the seventh group of 16, only 1; of Group Eight, with 45 companies, but 8, and of Group Nine, including 23 companies, 4, and of Group Ten, with 28, none.

If, therefore, some State should say by law, "only companies may be licensed having an expense ratio of 35 per cent.," only 26 companies out of 160 reported in the Argus chart could be admitted.

Examination also discloses that out of 160 companies included in these tables, only 82 could qualify if there was a limitation of 40 per cent. for expenses, and that a 45 per cent. limit would be required to admit 134, 26 companies having a ratio higher than 45 per cent.

But the suggestion might be urged that the very purpose of any proposed limitation is to bring down the expense; certainly, but look again at the table and consider the possibility of reduction enough to bring a great number of these companies within even a 40 per cent. limitation.

We find that for the past ten years 42 companies have had a combined loss and expense ratio of 100 per cent. or more; 38 from 95 per cent. to 100 per cent.; 38 from 90 to 95 per cent., and 45 less than 90 per cent., but in a number of instances a small loss ratio accounts for the low total average.

It is very certain that such limitation would not only operate distinctly to the disadvantage of the smaller companies, but would very greatly increase the advantages of the larger and more powerful organizations.

It does not appear possible for any company with a combined loss and expense ratio exceeding 95 per cent. of its premium receipts to comply with even a 40 per cent. expense limitation, because it could do so only by greatly reducing its commission charge, which is the factor, in most cases, upon which it depends for existence, and it appears certain that a limitation of 35 per cent. or even 40 per cent. would put at least half the companies out of business; indeed, a lot of them under present conditions have a struggle for life which seems certain to end in the retirement of very many.

The companies shown in the first four or, possibly, five groups could exist and pay a fair return to stockholders, by the interest on their capital, accumulations and premiums passing through their hands, and this could be done if they did not make a dollar of underwriting profit; but if this was the only source of revenue to stock fire insurance companies, most of them would be forced out of business at once, and very likely the remainder would not care to remain in a business so hazardous, which promised nothing beyond investment or banking profits.

The limits of this paper will not permit a more extended discussion of this table, however interesting it might be, and it is enough, perhaps, to indicate the conclusion I have reached, namely: that any limitation by law of the general expense of fire insurance,

if such limitation was forty per cent. or less, would result in the retirement of very many companies, nearly all of the smaller ones, and give the companies with large capital and surplus and large volume of business a monopoly.

It is not believed that any Legislature will or ought to do this.

For the information of any who may wish to carry these comparisons further, I am attaching to this paper a copy of the tabulation to which I have referred.

These considerations lead me to the conclusion that, while in my opinion the expense of conducting the fire insurance business is too great, the State should not attempt to curtail this charge by law, acting directly upon it, but should attack the conditions which make the excessive expense possible.

A condition is wrong which permits one company to transact its business at an average cost of thirty-five per cent. and another company, doing the same business in the same field, to spend forty-five per cent. or more.

My own view, I repeat, is this: Every State should enact a comprehensive and clearly expressed anti-discrimination law, to be administered by the State Insurance Department, intended to prevent discrimination of all kinds:

First. As between individual risks of the same class;

Second. As between classes of risks in the State;

Third. As between States.

Such a law would, I think, when effective, eliminate preferred business, preferential term rates, the present advantages in forms secured by large insurers and all special conditions by which one risk or class of risks profit at the expense of others; such a law faithfully executed would accomplish the purpose desired by every insurer and all he has a right to ask—a fair and equitable distribution of the insurance burden, according to hazard, over the whole field of operation.

It would also wipe out the commission abuses in the so-called "excepted cities," if this very desirable result is not sooner accomplished by the action of the companies themselves through pending negotiation for that purpose.

This the State owes to insurers and insurance companies alike, and it is a debt easily paid.

The State should not, at this time, make rates for fire insurance, nor should it by law prescribe the compensation fire insurance companies should pay to their servants, but the State should reserve such supervisory control over the industry that it may see that the rates are fairly applied, the tax fairly apportioned under the known laws and experience of the business; this should be done by law, and violations of such a law should be punished swiftly and severely.

I say the State should not by law go into the business of making fire rates at this time, and I use the term advisedly.

For ten years past the business has shown an underwriting loss of .51 per cent., and last year showed a profit of .66 per cent., demonstrating conclusively that competition has up to date kept down the margin of profit to the vanishing point.

If, in future, the situation should change and by combination or in some other way the fire insurance companies should increase the

rates to such a point as would result in unreasonable profits, it would be time enough for State interference.

Just one other suggestion, and it is this: Any law upon expense or any other factor in this or any corporate business, must be general in its application; so the State cannot by law reach the strong company which could make some concessions and still live, without at the same time putting to death a small army of smaller concerns not so well circumstanced as their old and wealthy neighbors.

Some of the old and financially strong companies are now and have been doing a very profitable business, but most of the profits of fire insurance for the past ten years has gone to a small number of companies; indeed, most of them for some years have been getting back only a part of the \$90,000,000 in cash put into the business during the past ten years, as a result of Baltimore, San Francisco and other conflagrations.

I read a statement a few days ago in a "blue sky" prospectus, for the organization of a new million dollar fire insurance company which, by the way, gives twenty per cent. of all stock payments to the promoters that in the past three years twenty-two million dollar American companies had paid dividends to stockholders amounting to \$20,508,060, and perhaps the statement is true; but suppose it is true.

What has been the experience of the other 150 or more stock companies?

Evidently, they didn't have a similar experience, or they would have been mentioned by the gentleman with the "blue sky" literature.

I notice this to give further emphasis to the point mentioned a moment ago, viz.: the law must be a general one, and while it may be true—certainly is—some of the stock companies are operating at a considerable profit, the law when it is applied will reach all classes of corporations.

One company pays forty per cent. dividends to stockholders annually for ten years; another pays nothing, and the law which reduces No. 1 to twenty per cent. puts No. 2 out of business entirely.

There has always existed a school of political economists who sought some scheme to take from the skillful, the successful and the solvent, give to the unsuccessful, unfortunate and improvident, but up to date the scheme has been a failure.

The development of recent years in the fire insurance industry, the fact that nearly every week some company falls by the wayside and is reinsured by one of its stronger neighbors, is an indication at least that we may again see the fulfillment of the Scripture: "Unto him that hath shall be given, but from him that hath not shall be taken away even that which he hath."

I conclude that statutory limitation of commissions or of the general expense of fire insurance is not now desirable or expedient, but that an anti-discrimination law such as I have indicated will go directly to the cause of the evil and, properly administered, will furnish a complete and adequate remedy.

Loss Ratio.

STATE.	For the Year 1911.	For 31 Years Ending Dec. 31, 1911.				
		Below 40.	40 to 45.	45 to 50.	50 to 55.	Above 55.
Alabama	72.3				54.3	
Alaska	59.7	22.6				
Arizona	54					58.1
Arkansas	70.7					58
California	28.2					100.8
Colorado	35.3		43.5			
Connecticut	47.6			45.5		
Delaware	48				50.3	
District of Columbia	67	34.1				
Florida	45.1					67.6
Georgia	54.5				53.7	
Idaho	60.5					57
Illinois	50.7			48.6		
Indiana	47.1				52.5	
Iowa	53.8			45		
Kansas	69.9				52.3	
Kentucky	67.4					57.5
Louisiana	54.2			49.5		
Maine	127.7					60.6
Maryland	37.2					94
Massachusetts	53.8					57.4
Michigan	60.7				51.5	
Minnesota	73.2					56.4
Mississippi	57.5					59.6
Missouri	75.3					57.9
Montana	34.6	37.9				
Nebraska	50.3		44.3			
Nevada	31.9	39.8				
New Hampshire	52.7				52.9	
New Jersey	41.6			49.3		
New Mexico	55.4				52.7	
New York	58.3				54.3	
North Carolina	62.4				52.8	
North Dakota	58.5					60.9
Ohio	40.5				53.2	
Oklahoma	64.5			50		
Oregon	58.4		43.1			
Pennsylvania	48.4				50.6	
Rhode Island	38.4				50.9	
South Carolina	57.5					55.4
South Dakota	46.8		43.5			
Tennessee	65.7					64
Texas						59.8
Utah	33.1	38.6				
Vermont	41.7					61.5
Virginia	27.8				54.2	
Washington	51			49.3		
West Virginia	58.8			49.8		
Wisconsin	40.9				51	
Wyoming	18	33.8				

Shown by Table VIII, report of president of National Board of Fire Underwriters, May 23, 1912.

British Fire Companies—Underwriting Experience on Business of 1911.

The following table, compiled by the "Policyholder," of Manchester, from the reports of the British Fire Insurance Companies of December 31, 1911, shows their premiums, losses, expenses, etc., together with the ratio of loss and expense to premiums:

NAME OF COMPANY.	Premiums, 1910.	Premiums, 1911.	Losses.	Expenses and Commissions.	Surplus on Trading Account.	Other Receipts.	Other Outgo.	Reserve Funds, 1910.	Reserve Funds, 1911.	Capital Paid Up.	Ratio.	
											Losses.	Expenses.
Abstainers and Gen.	1,560	1,992	535	11,128	329	2,342	2,084	5,135	5,722	18,750	26.8	56.6
Alliance	1,307,482	1,324,223	613,311	500,265	210,047	447,313	404,313	2,491,162	2,514,849	11,000,000	46.3	56.6
Atlas	1,041,194	1,041,165	561,835	300,001	89,319	219,917	75,560	1,030,073	1,068,759	264,000	53.9	37.8
British General	*49,502	*50,157	34,073	20,876	4,208	1,900	2,015	112,311	116,404	25,000	57.6	37.5
British Law	100,022	101,754	37,594	48,694	15,466	16,499	31,045	249,360	250,290	150,000	37.0	35.3
Calendonian	437,980	438,146	233,008	165,274	39,264	15,560	28,000	346,120	372,344	107,500	52.8	47.8
Century	29,765	35,625	18,815	13,044	3,766	13,116	13,415	71,622	75,089	35,000	53.3	37.7
City Equitable	58,657	77,014	42,387	23,940	10,707	1,052	1,135	32,660	44,238	10,000	52.8	36.6
Commercial Union	3,139,967	3,192,871	1,771,597	1,127,760	293,514	364,768	579,825	8,312,899	8,381,346	295,000	55.0	31.0
Cornhill	117,094	130,760	59,114	27,431	22,634	82,406	114,251	882,537	873,296	1,000,000	55.9	35.4
Guardian	587,916	594,114	354,049	217,431	16,878	825	550	17,197	34,350	5,000	55.9	1.6
Hibernian	8,510	9,568	2,925	5,597	1,046	591	216	3,481	4,002	21,200	30.5	36.6
Law Un. & Rock	234,712	233,716	119,478	98,922	27,316	57,698	87,999	560,428	547,433	165,000	51.1	37.1
Liverpool, Lon. & Globe	2,788,848	2,889,672	1,586,041	1,013,639	253,992	183,454	392,646	4,314,294	4,314,294	245,640	55.8	35.7
London Assurance	667,415	661,170	336,299	204,678	70,193	78,738	89,697	1,088,314	1,167,548	448,275	50.9	38.5
Lon. & Lanc. Fire	1,555,808	1,607,108	758,544	564,037	296,227	141,096	146,910	2,016,184	2,296,527	284,125	47.1	35.1
N. B. & I. Millers	200,801	219,789	214,571	50,322	5,064	5,064	9,442	99,896	36,186	62,245	97.6	29.3
National General	300,432	284,784	197,492	87,335	43	23,831	5,359	119,693	118,122	71,341	69.4	30.7
Nat. of Great Britain	62,929	64,990	26,989	460,205	12,869	4,921	7,500	101,338	111,628	50,000	41.5	39.7
Northern	1,273,731	1,242,975	668,207	460,205	114,563	95,136	117,812	1,875,107	1,963,994	300,000	53.8	37.0
Northern	*19,262	*28,488	12,776	10,855	4,867	160	2,650	76,004	13,311	13,378	44.9	38.1
Northwestern	62,903	99,905	55,532	38,508	7,745	2,369	*20,192	49,009	1,953,769	422,853	56.6	36.6
Phoenix	1,410,000	1,398,456	769,131	538,311	91,014	417,739	331,573	1,776,529	1,953,769	40,000	55.0	38.5
Provincial	18,679	21,670	9,812	9,506	2,353	4,443	4,298	25,045	27,373	90,000	45.3	43.9
Royal Exchange	809,368	798,221	445,294	300,252	52,755	91,477	98,775	788,031	833,468	639,230	55.7	37.6
Scottish Insurance	7,368	10,062	6,007	4,476	101	19,116	9,173	55,141	64,083	30,000	59.6	44.4
Scottish U. & N.	688,618	707,900	410,261	257,296	40,343	53,382	58,765	811,069	846,029	390,000	57.9	36.4
State	188,223	191,563	107,864	563,389	11,903	7,698	9,339	119,599	129,791	70,000	53.1	37.7
Sun Fire	1,471,197	1,485,246	789,620	563,389	132,298	107,009	262,623	2,700,584	2,677,396	240,000	53.1	37.9
West of Scotland	31,054	31,795	17,205	10,774	3,816	4,890	4,944	61,095	66,867	75,000	54.1	33.8
Yorkshire	280,580	319,446	165,247	116,887	37,312	25,466	48,654	635,006	549,139	35,657	51.7	36.6

*Fire and accident not stated separately. †Fire and accident reserves. ‡Less commission and reinsurance. **£20,000 was taken from reserves and added to capital, increasing same to £40,000 paid up.

APPENDIX.

Expense and Loss Exhibit of 160 American and Foreign Companies for Ten Years, 1902 to 1911.

GROUP No. 1—COMPANIES WITH ASSETS OVER \$20,000,000.

Rank.	NAME OF COMPANY.	Dec. 31, 1911, Admitted Assets.	Premiums 1911.	Losses Paid 1911.	Expenses 1911.	Average Ratio 10 Years, 1902-1911, Inclusive.		
						Loss.	Expense.	Total.
1	Home of New York.....	\$ 32,000,000	\$ 12,712,222	\$ 6,578,886	\$ 4,367,061	51	34	85
2	Continental	25,500,000	7,774,768	3,985,446	2,962,620	50	37	87
3	Hartford	25,400,000	15,478,917	8,779,384	5,717,501	58	35	93
4	Aetna	22,000,000	8,908,084	4,595,253	3,126,755	54	34	87
5	German-American	20,800,000	8,359,806	4,509,584	3,306,485	54	35	89
	Total	\$125,200,000	\$ 53,231,474	\$ 23,798,903	\$ 19,470,272	.....	.....	.....
	Average of group in 1911.....	.....	.....	.....	.....	54.1	36.5	90.6
	Average premium of group in 1911.....	.....	\$ 10,646,349	.....	.....	.....	.....	.....
	Average ratio of premium to assets.....	42.5	.....	.....	.....	.....	.....	.....

GROUP No. 2—COMPANIES WITH ASSETS BETWEEN \$10,000,000 AND \$20,000,000.

Rank.	NAME OF COMPANY.	Dec. 31, 1911, Admitted Assets.	Premiums 1911.	Losses Paid 1911.	Expenses 1911.	Average Ratio 10 Years, 1902-1911, Inclusive.		
						Loss.	Expense.	Total.
6	Insurance Company of North America.....	\$ 16,900,000	\$ 9,109,772	\$ 5,072,580	\$ 3,400,870	59	35	94
7	Fidelity Phoenix	14,800,000	6,021,155	3,609,107	2,427,458	60	40	100
8	L. & L. & G.	18,700,000	8,393,317	4,556,103	2,721,462	57	32	89
9	Royal	11,800,000	7,869,284	4,096,298	2,946,283	55	36	91
10	National	11,800,000	7,914,216	3,774,969	3,683,917	62	38	90
11	Phoenix, Hartford	11,400,000	5,532,092	2,765,064	2,117,513	51	33	89
12	Springfield	10,400,000	5,244,628	3,049,668	2,047,596	54	38	92
	Total	\$ 90,800,000	\$ 50,184,492	\$ 26,918,679	\$ 18,984,098	.....	.....	.....
	Average of group 1911.....	.....	.....	.....	.....	58.6	37.8	91.4
	Average premium of group 1911.....	.....	\$ 7,162,000	.....	.....	.....	.....	.....
	Average ratio of premium to assets.....	55.5	.....	.....	.....	.....	.....	.....

GROUP NO. 3—COMPANIES WITH ASSETS BETWEEN \$7,500,000 AND \$10,000,000.

Rank.	NAME OF COMPANY.	Dec. 31, 1911, Admitted Assets.	Premiums 1911.	Losses Paid 1911.	Expenses 1911.	Average Ratio 10 Years, 1902-1911, Inclusive.		
						Loss.	Expense.	Total.
13	Queen	\$ 9,500,000	\$ 4,774,854	\$ 2,496,202	\$ 1,745,064	56	35	91
14	American N. J.	9,300,000	3,570,998	1,669,844	1,403,991	50	39	89
15	North B. & M.	9,100,000	5,595,658	2,995,918	2,183,208	57	35	92
16	Fire Association	8,900,000	4,231,667	2,413,451	1,544,665	58	38	96
17	Fireman's Fund	8,600,000	5,287,674	3,101,978	1,892,780	64	36	100
18	St. Paul	8,000,000	5,575,864	2,942,578	2,022,584	57	34	91
19	Pennsylvania	7,600,000	3,496,156	2,166,354	1,276,362	65	36	101
20	Commercial Union	7,500,000	4,690,245	2,623,091	1,671,297	58	34	92
21	Connecticut	7,500,000	3,748,297	2,297,687	1,432,319	58	38	96
	Total	\$ 76,000,000	\$ 41,104,448	\$ 22,772,048	\$ 15,375,218	.....	.....	.....
	Average of Group No. 3, 1911					55.4	37.4	92.8
	Average premium of Group No. 3, 1911	\$ 64.0	\$ 4,597,159					
	Average ratio of premium to assets							

GROUP No. 4—COMPANIES WITH ASSETS BETWEEN \$5,000,000 AND \$7,500,000.

Rank.	NAME OF COMPANY.	Dec. 31, 1911. Admitted Assets.	Premiums 1911.	Losses Paid 1911.	Expenses 1911.	Average Ratio 10 Years, 1902-1911, Inclusive.		
						Loss.	Expense.	Total.
22	Germania, N. Y.	\$ 6,800,000	\$ 2,892,246	\$ 1,546,355	\$ 1,841,108	55	40	95
23	Niagara	6,700,000	3,226,700	1,692,193	1,205,206	56	37	93
24	Boston	6,400,000	3,070,044	1,551,598	1,106,192	54	34	88
25	Firemen's, N. J.	6,400,000	2,553,175	1,271,126	970,552	45	39	84
26	Globe & Rutgers.	6,300,000	3,681,367	1,830,111	1,037,471	56	25	81
27	Northwestern National	6,100,000	2,572,078	864,664	1,070,377	41	46	87
28	Munich	5,900,000	5,004,871	3,052,497	1,483,606	62	30	92
29	New Hampshire	5,700,000	2,252,193	1,292,533	863,672	55	37	92
30	Glens Falls	5,600,000	2,100,390	1,045,256	821,581	52	40	92
31	American Central	5,500,000	2,598,617	1,702,192	1,012,677	59	38	97
32	Scottish U. & N.	5,300,000	2,135,255	1,252,739	810,077	59	37	96
33	Northern	5,000,000	2,393,359	1,675,359	1,139,330	59	36	95
	Total	\$ 71,600,000	\$ 34,701,740	\$ 19,275,708	\$ 12,872,794	.....	.....	.....
	Average of Group No. 4, 1911.	.....	.....	.....	.....	55.5	37.1	92.6
	Average premium of Group No. 4, 1911.	.....	\$ 2,891,911	.....	.....	.....	.....	.....
	Average ratio of premium to assets.	48.4	.....	.....	.....	.....	.....	.....

GROUP NO. 3—COMPANIES WITH ASSETS BETWEEN \$7,500,000 AND \$10,000,000.

Rank.	NAME OF COMPANY.	Dec. 31, 1911, Admitted Assets.	Premiums 1911.	Losses Paid 1911.	Expenses 1911.	Average Ratio 10 Years, 1902-1911, Inclusive.		
						Loss.	Expense.	Total.
13	Queen	\$ 9,500,000	\$ 4,774,854	\$ 2,494,202	\$ 1,748,064	56	35	91
14	American N. J.	9,300,000	3,570,998	1,059,844	1,408,991	50	39	89
15	North B. & M.	9,100,000	5,565,688	2,865,918	2,183,208	57	35	92
16	Fire Association	8,900,000	4,231,667	2,413,451	1,644,665	58	38	96
17	Fireman's Fund	8,900,000	5,487,674	3,101,978	1,882,730	64	36	100
18	St. Paul	8,000,000	5,575,864	2,842,578	2,022,584	57	34	91
19	Pennsylvania	7,600,000	3,486,156	2,166,354	1,276,362	65	36	101
20	Commercial Union	7,500,000	4,690,245	2,023,091	1,671,297	58	34	92
21	Connecticut	7,500,000	3,748,297	2,297,637	1,482,319	58	38	96
	Total	\$ 76,000,000	\$ 41,104,443	\$ 22,772,048	\$ 15,375,218	.....	.....	.....
	Average of Group No. 3, 1911.....	.....	.....	.....	.....	55.4	37.4	92.8
	Average premium of Group No. 3, 1911.....	\$ 4,567,159
	Average ratio of premium to assets.....	54.0

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GROUP No. 4—COMPANIES WITH ASSETS BETWEEN \$5,000,000 AND \$7,500,000.

Rank.	NAME OF COMPANY.	Dec. 31, 1911, Admitted Assets.	Premiums 1911.	Losses Paid 1911.	Expenses 1911.	Average Ratio 10 Years, 1902-1911, Inclusive.		
						Loss.	Expense.	Total.
22	Germania, N. Y.	\$ 6,800,000	\$ 2,932,240	\$ 1,545,355	\$ 1,341,103	55	40	95
23	Niagara	6,700,000	3,225,700	1,632,133	1,256,208	56	37	93
24	Boston	6,400,000	3,070,044	1,851,568	1,106,192	54	34	88
25	Firemen's, N. J.	6,300,000	2,333,175	1,271,123	970,532	45	39	84
26	Globe & Rutgers.	6,300,000	3,631,307	1,630,111	1,037,471	56	25	81
27	Northwestern National	6,100,000	2,372,073	\$24,664	1,070,377	41	46	87
28	Munich	5,900,000	5,004,871	\$,652,671	1,433,608	62	30	92
29	New Hampshire	5,700,000	2,232,193	1,232,533	833,672	55	37	92
30	Glens Falls	5,600,000	2,100,390	1,063,256	821,531	52	40	92
31	American Central	5,300,000	2,599,617	1,702,192	1,012,677	59	38	97
32	Scottish U. & N.	5,300,000	2,133,255	1,227,739	810,077	59	37	96
33	Northern	5,000,000	2,983,859	1,675,359	1,139,350	59	36	95
	Total	\$ 71,600,000	\$ 34,701,740	\$ 19,275,708	\$ 12,872,794	.....	.....	.....
	Average of Group No. 4, 1911	.....	.....	.....	.....	55.5	37.1	92.6
	Average premium of Group No. 4, 1911	.....	\$ 2,891,911	.....	.....	.....	.....	.....
	Average ratio of premium to assets	46.4	.....	.....	.....	.....	.....	.....

GROUP No. 5—COMPANIES WITH ASSETS BETWEEN \$4,000,000 AND \$6,000,000.

Rank.	NAME OF COMPANY.	Dec. 31, 1911. Admitted Assets.	Premiums 1911.	Loss Paid 1911.	Expenses, 1911.	Average Ratio 10 Years, 1902-1911, Inclusive.		
						Loss.	Expense.	Total.
34	Hanover	\$ 4,800,000	\$ 2,371,564	\$ 1,334,673	\$ 937,115	59	39	98
35	Westchester	4,600,000	2,642,511	1,621,323	1,011,128	57	39	96
36	Milwaukee Mech.	4,600,000	2,269,745	1,055,785	1,009,978	54	44	98
37	Sun	4,600,000	2,547,790	1,490,534	1,128,780	57	38	95
38	London & Lancashire ..	4,400,000	2,575,605	1,211,658	956,417	62	36	98
39	Providence, Washington ..	4,100,000	3,029,531	1,864,337	1,078,304	60	36	96
40	Agricultural	4,000,000	1,712,391	880,194	694,774	53	41	94
Total		\$ 30,900,000	\$ 17,450,030	\$ 9,410,100	\$ 6,314,696	.....	.....	.....
Average of Group No. 5, 1911 .....		.....	.....	.....	.....	.....	.....	.....
Average premium of Group No. 5, 1911 .....		.....	\$ 2,492,803	.....	.....	53.9	39	92.9
Average ratio of premium to assets		56.4	.....	.....	.....	.....	.....	.....

GROUP No. 6—COMPANIES WITH ASSETS BETWEEN \$3,000,000 AND \$4,000,000.

Rank.	NAME OF COMPANY.	Dec. 31, 1911, Admitted Assets.	Premiums 1911.	Loss Paid 1911.	Expenses 1911.	Average Ratio 10 Years, 1902-1911, Inclusive.		
						Loss.	Expense.	Total.
41	National Union, Pennsylvania	\$ 3,900,000	\$ 2,072,000	\$ 1,018,448	\$ 702,197	56	41	97
42	Security N. H.	8,900,000	1,815,311	941,497	749,043	51	42	93
43	State of Pennsylvania	8,700,000	2,914,728	1,773,695	847,510	52	36	88
44	London Assurance	8,700,000	2,531,529	1,952,390	685,890	68	36	104
45	Phoenix	8,700,000	2,431,874	1,472,522	1,098,416	68	38	107
46	Franklin, Philadelphia	8,400,000	1,446,398	813,398	630,845	64	42	106
47	Palatine	8,400,000	1,769,972	948,868	670,844	62	37	99
48	Orient	8,300,000	1,465,910	743,242	562,999	57	38	96
	Total	\$ 29,000,000	\$ 15,738,350	\$ 8,964,062	\$ 6,205,140	.....	.....	.....
	Average of Group No. 6, 1911.....					56.9	39.4	96.3
	Average premium of Group No. 6, 1911.....		\$ 1,967,293					
	Average ratio of premium to assets.....	54.2						

GROUP No. 7—COMPANIES WITH ASSETS BETWEEN \$2,000,000 AND \$5,000,000.

Rank.	NAME OF COMPANY.	Dec. 31, 1911. Admitted Assets.	Premiums 1911.	Losses Paid 1911.	Expenses 1911.	Average Ratio 10 Years, 1902-1911, Inclusive.		
						Loss.	Expense.	Total.
49	Williamsburg City	\$ 2,800,000	\$ 1,730,563	\$ 982,134	\$ 754,251	55	44	99
50	Norwich Union	2,700,000	1,764,022	997,587	744,937	64	38	102
51	Atlas	2,500,000	1,712,921	1,029,354	694,413	61	39	100
52	Buffalo German	2,500,000	648,290	359,374	292,065	53	44	97
53	Camden	2,500,000	1,305,574	736,870	534,761	53	36	89
54	Commonwealth	2,500,000	1,204,642	494,160	440,371	39	37	76
55	Grand	2,500,000	862,552	441,664	395,448	54	48	102
56	Royal Exchange	2,500,000	1,614,150	851,269	633,923	77	43	120
57	Western	2,400,000	1,457,385	859,953	609,954	72	36	108
58	Aschen & Munich	2,400,000	1,066,862	571,238	448,857	80	40	120
59	North River	2,300,000	1,798,119	971,802	770,635	53	41	94
60	Caledonian Ed.	2,100,000	1,474,302	788,068	569,920	69	38	107
61	Detroit	2,100,000	603,951	336,659	247,614	52	38	90
62	Delaware	2,000,000	1,361,626	1,018,148	562,011	59	41	100
63	Peoples National	2,000,000	716,016	1,074,427	416,098	53	45	98
64	Alliance, Philadelphia	2,000,000	937,024	496,614	320,079	66	33	99
	Total	\$ 37,800,000	\$ 20,288,619	\$ 11,964,931	\$ 8,475,537	.....	.....	.....
	Average of group 1911 .....	.....	.....	.....	.....	59	41.7	100.7
	Average premium of group in 1911	\$ 1,268,038
	Average ratio of premium to assets	53.6

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GROUP No. 8—COMPANIES WITH ASSETS BETWEEN \$1,000,000 AND \$2,000,000.

Rank.	NAME OF COMPANY.	Dec. 31, 1911.	Premiums 1911.	Losses Paid 1911.	Expenses 1911.	Average Ratio 10 Years, 1902-1911, Inclusive.		
						Loans.	Expense.	Total.
63	Hamburg-Bremen	\$ 1,900,000	\$ 1,851,971	\$ 890,498	\$ 530,034	75	39	114
64	Moscow	1,900,000	1,501,619	931,782	522,397	53	31	84
65	North B. & M., N. Y.	1,900,000	1,067,618	907,713	492,781	53	35	88
66	Prussian National	1,900,000	1,110,847	695,918	243,466	29	35	64
67	Prussian National	1,900,000	1,110,847	695,918	243,466	29	35	64
68	Prussian National	1,900,000	1,110,847	695,918	243,466	29	35	64
69	Lumberman's, Philadelphia ..	1,900,000	943,855	130,415	110,828	28	39	67
70	Reliance	1,900,000	1,019,974	636,396	450,865	45	43	88
71	Concordia	1,700,000	1,087,244	593,779	455,783	51	43	94
72	German Alliance	1,700,000	840,889	393,772	455,783	51	44	95
73	United Firemen's	1,700,000	940,871	101,654	174,889	55	50	105
74	British-American	1,600,000	953,183	534,284	404,280	77	52	129
75	Millers National	1,600,000	759,722	570,983	219,578	69	37	106
76	Virginia	1,600,000	739,570	489,599	231,289	55	34	89
77	Arlendale	1,600,000	811,754	404,765	365,827	47	42	89
78	City of New York	1,400,000	610,403	317,288	291,793	44	42	86
79	Michigan	1,400,000	668,042	311,900	277,590	53	41	94
80	California	1,300,000	750,615	284,465	377,704	91	41	132
81	Cologne	1,300,000	1,161,985	618,905	374,547	51	32	83
82	Dubueque Baltimore	1,300,000	1,161,985	376,189	392,484	44	42	86
83	Humboldt, Pittsburgh	1,300,000	180,116	60,222	67,548	88	35	123
84	Mechanics, Philadelphia	1,300,000	734,777	395,235	322,665	40	45	85
85	Mechanics and Traders	1,300,000	883,608	228,005	173,508	50	44	94
86	Newark	1,300,000	712,071	437,837	249,785	51	34	85
87	Stuyvesant	1,300,000	534,680	203,626	237,956	44	45	89
88	Sea	1,300,000	914,639	533,338	277,443	57	30	87
89	County of Philadelphia	1,300,000	673,912	410,072	298,475	72	41	113
90	Equitable	1,200,000	399,142	208,598	183,431	51	44	95
91	Equitable	1,200,000	399,142	208,598	183,431	51	44	95
92	Equitable	1,200,000	399,142	208,598	183,431	51	44	95
93	Hawkeye	1,200,000	712,530	395,480	266,538	57	38	96
94	Northern, N. Y.	1,200,000	653,810	375,366	266,408	53	41	94

APPENDIX.

GROUP No. 8—COMPANIES WITH ASSETS BETWEEN \$1,000,000 AND \$2,000,000—Continued.

Rank.	NAME OF COMPANY.	Admitted Assets. Dec. 31, 1911.	Premiums 1911.	Losses Paid 1911.	Expenses 1911.	Average Ratio 10 Years, 1902-1911, Inclusive.		
						Loes.	Expense.	Total.
95	Old Colony	\$ 1,200,000	\$ 521,893	\$ 323,341	\$ 177,100	53	38	91
96	Sun, New Orleans	1,200,000	618,095	415,243	255,355	54	38	92
97	Dixie	1,100,000	532,624	490,838	255,162	65	44	109
98	Empire, City	1,100,000	709,957	413,949	291,410	51	36	87
99	Farmers, York	1,100,000	531,483	338,662	227,374	59	42	101
100	Granite, State	1,100,000	607,087	417,586	228,854	55	36	91
101	Jefferson	1,100,000	691,678	430,551	294,965	55	40	95
102	Michigan Commercial	1,000,000	721,932	473,192	296,310	54	42	96
103	Georgia Home	1,000,000	350,704	438,323	290,417	59	45	104
104	German, Pennsylvania	1,000,000	582,323	247,170	271,744	50	45	95
105	State of Illinois	1,000,000	378,415	304,510	149,980	52	43	95
106	Teutonia, Pennsylvania	1,000,000	654,483	408,174	268,277	48	37	85
107	Teutonia, New Orleans	1,000,000	868,828	514,908	380,526	61	36	97
108	United States	1,000,000	503,109	383,301	213,900	64	47	111
109	Albany	1,000,000	305,887	187,525	119,425	49	39	88
	Total	\$ 60,500,000	\$ 30,280,193	\$ 18,126,844	\$ 12,212,698			
	Average of group 1911					59.8	40.3	100.1
	Average premium of group in 1911		\$ 672,893					
	Average ratio of premium to assets	50.0						

GROUP No. 9—COMPANIES WITH ASSETS BETWEEN \$500,000 AND \$1,000,000.

Rank.	NAME OF COMPANY.	Dec. 31, 1911. Admitted Assets.	Premiums 1911.	Losses Paid 1911.	Expenses 1911.	Average Ratio 10 Years, 1902-1911, Inclusive.		
						Loss.	Expense.	Total.
110	Commercial Union	\$ 900,000	\$ 365,727	\$ 191,029	\$ 115,178	49	30	79
111	Liverpool, London and Globe	900,000	226,850	117,539	70,153	49	27	76
112	Pacific	900,000	485,849	297,277	136,805	55	31	86
113	Standard, New Jersey	900,000	313,215	193,037	126,075	48	38	86
114	Teutonia, Ohio	900,000	115,576	27,259	55,108	28	46	74
115	Western, Pennsylvania	900,000	571,985	299,159	293,969	51	42	93
116	Citizens, Missouri	800,000	541,269	350,285	204,776	61	38	99
117	Farmers, Iowa	800,000	381,990	184,409	188,188	45	51	96
118	Forest City, Illinois	800,000	153,911	76,759	94,376	35	59	94
119	German, Illinois	800,000	337,870	249,607	145,147	65	37	102
120	Law, Union and Rock	800,000	467,243	245,869	197,551	92	40	132
121	Nassau	800,000	504,191	322,680	202,306	56	35	91
122	Northwestern	800,000	505,080	291,225	198,252	57	38	95
123	Calumet	700,000	456,023	394,278	220,543	74	50	124
124	Capital, New Hampshire (Note x)	700,000	456,605	204,439	170,363	60	41	101
125	Columbia, Ohio	700,000	102,978	34,940	41,889	35	41	76
126	Commerce, Albany	700,000	246,284	146,131	109,126	48	41	89
127	German-American, Pennsylvania	700,000	286,246	138,508	111,567	49	37	86
128	New Brunswick, N. J.	700,000	480,135	239,925	213,191	49	46	95
129	Pelican	700,000	319,946	182,904	121,618	70	37	107
130	Buffalo Commercial	600,000	337,160	249,117	136,436	54	38	92
131	German, Indiana	600,000	332,242	182,652	173,913	46	50	96
132	German, West Virginia	600,000	233,153	157,194	139,758	44	46	90
	Total	\$ 17,700,000	\$ 8,407,551	\$ 4,836,883	\$ 3,441,288	.....	.....	.....
	Average of group 1911 .....	.....	.....	.....	.....	.....	.....	.....
	Average premium of group in 1911 .....	.....	.....	.....	.....	57.5	40.9	98.4
	Average ratio of premium to assets	47.5	\$ 365,545	.....	.....	.....	.....	.....

GROUP No. 10—COMPANIES WITH ASSETS BETWEEN \$100,000 AND \$500,000.

Rank.	NAME OF COMPANY.	Dec. 31, 1911. Admitted Assets.	Premiums 1911.	Losses Paid 1911.	Expenses 1911.	Average Ratio 10 Years, 1902-1911, Inclusive.	
						Losses.	Expense.
133	Anchor	\$ 500,000	\$ 271,523	\$ 254,571	212,293	54	55
134	Atlanta, Home	500,000	118,351	118,351	72,034	50	90
135	Aust'n, Texas	500,000	299,559	151,545	96,703	67	44
136	Commonwealth, Texas	500,000	298,561	143,106	89,512	50	39
137	Mercantile, Massachusetts	500,000	298,774	158,391	126,890	76	43
138	Pittsburg, Pennsylvania	500,000	219,649	98,334	106,453	47	46
139	Security, Iowa	500,000	176,950	89,651	88,414	39	48
140	Sovereign	500,000	402,594	256,559	172,135	47	42
141	Birmingham	400,000	90,257	26,462	42,123	32	46
142	Imperial	400,000	184,563	101,202	82,450	42	47
143	State, Iowa	400,000	177,065	91,300	83,225	50	48
144	State, England	400,000	120,997	65,954	46,769	128	38
145	Consolidated	300,000	132,966	81,590	72,639	52	51
146	Equitable, S. C.	300,000	124,430	58,772	45,890	54	39
147	Eureka, Ohio	300,000	102,528	53,637	49,162	49	48
148	Milwaukee, German	300,000	104,044	66,001	54,012	49	48
149	Security, Ohio	300,000	96,622	54,303	47,258	50	46
150	State, Nebraska	300,000	155,696	102,411	80,465	43	48
151	Caledonian, New York	200,000	13,423	11,784	4,893	116	36
152	Fidelity, Iowa	200,000	54,568	112,591	37,449	62	42
153	Fidelity, Illinois	200,000	79,768	37,276	37,603	44	49
154	Metropolitan, Ohio	200,000	104,186	46,031	51,727	53	37
155	National, Ohio	200,000	52,573	32,604	26,538	56	47
156	Queen City, S. D.	200,000	30,178	44,759	65,945	81	62
157	Union, Pennsylvania	200,000	81,572	35,437	34,211	41	41
158	United American, Mil.	200,000	73,573	26,584	40,484	38	59
159	Western Reserve	200,000	34,477	116,193	33,321	66	44
160	Southern National	100,000	97,974	54,351	49,338	55	50
Total		\$ 9,300,000	\$ 3,901,080	\$ 2,490,443	\$ 1,940,457	.....	.....
Average of group 1911 .....		.....	.....	.....	.....	63.8	49.6
Average premium of group in 1911 .....		.....	\$ 139,324	.....	.....	.....	115.4*
Average ratio of premium to assets		41.9	.....	.....	.....	.....	.....

THE FRATERNAL SITUATION.

By Hon. James R. Young, Insurance Commissioner of North Carolina.

Mr. President and Gentlemen: With a due appreciation of the honor and responsibility, I appear before you today to discuss "The Fraternal Situation." Realizing my inability to measure up to a high standard in either knowledge or oratory, I feel that I come to you today to offer suggestions rather than to bring you information or advice.

Insurance.

In a decision from the Supreme Court of Illinois, one of her distinguished judges, Chief Justice Ricks, thus speaks of insurance: "The business of insurance is the outgrowth of time and the demands and necessities of the public. It extends into and covers almost every branch of business and all the relations of life, and is applied to all the hazards of business in life where a basis of risk and compensation can be estimated. In all the stages of life from the cradle to the grave it asserts an interest and offers succor and aid. In the business enterprises, whether by land or sea; in the possessions of men, from a pane of glass to the mansion or factory; in his undertakings involving every chance, misfortune, moral turpitude, or the act of God—it demands admission and promises indemnity, reward or gain. It poses as the faithful and zealous trustee of his earnings and savings, and promises to the widow and orphan a guaranty against misery and want. It intercedes between principal and agent, master and servant, contractor and owner, and insures against loss from almost any and every cause. It is a public necessity that deals in its own credit for a cash consideration from the assured, and is stamped with public interest, and must yield obedience to necessity and proper regulations by the State in the exercise of its police power."

Thus happily and forcibly does the eminent jurist define insurance, its relation to the citizens and their business and the necessity of proper supervision by the State.

Life Insurance.

One of the most important classes of insurance is that of life insurance. Its importance lies in the amount yearly expended for it—almost one-fifteenth of the total expenditures of the country—as well as in the insurance assets handled by this class of companies and the benefits promised. Its importance is also seen in the immense payments made in the past as well as being now annually paid out to beneficiaries. It has been well said: "That this is pre-eminently the age of life insurance and that we are now entering on a division of that era when life insurance will be at the highest mark since it became recognized as a necessary human institution, is recognized by foremost insurance men, by the world's best thinkers, and by the most accurate forecasters of social progress. Life insurance is co-operation in its highest form; it is stronger

than any political or patriotic motive in binding a people in an indissoluble, impregnable union."

American Life Insurance.

The American companies and associations have in force over 36,500,000 policies and certificates for over \$25,000,000,000 (\$25,175,797,538). This amount equals about twenty per cent. of the total wealth of the United States. Of the \$1,307,975,729 annually paid for insurance of all kinds, two-thirds, or \$884,068,753, is paid to the life insurance companies and associations. This expenditure represents about one-fifteenth of our total disbursements and carries in total insurance more than double the amount carried in the rest of the world.

Fraternal Insurance.

A most important branch of life insurance and one that we are especially interested in at this time is insurance as furnished by fraternal orders or societies. No sooner had the main objects and fundamental principles of life insurance been recognized than the people, responding to that great principle enunciated by St. Paul on Mars Hill when he said, "And God hath made of one blood all nations of men to dwell on all the face of the earth," set about to organize fraternal societies to aid in and undertake life insurance and furnish its indemnity. It was sought through this system to bring the benefits of insurance within the reach of the whole people, especially the salaried and laboring man, by furnishing it at cost and in small and frequent payments.

Rapid Growth.—In forty-four years there has been a wonderful growth in societies of this character and their business. They have disbursed to the families of deceased members over one-half billion of dollars, approximately ninety per cent. of their collections, and are now paying to families of members over fifty millions a year, about one million a week. They have seven and a quarter million certificates which aggregate over nine billions of insurance in force and total assets of about \$169,000,000. In so immense a business as this, involving the handling of so large a quantity of trust funds, it is not surprising that mistakes, abuses and errors should creep in, and that there should be a necessity for a strict supervision by the State, especially in view of the fact that so large a part of the funds are furnished by our working and needy classes.

Fraternal Situation in 1909.

At the request of your body, the speaker prepared and delivered before the Convention at Colorado Springs, in 1909, an address on "The Fraternal Insurance Situation." As bearing upon the present conditions it may be well to quote from that address extracts as follows:

"Unfortunately, much that will be said will be spoken as against the abuse of the system rather than its principles, for supervision is expected to prevent and correct abuses. I do not propose to discuss the principles of fraternal insurance, for, whether right or wrong, I shall assume it is here and to stay. It has accomplished much good and is capable, by wise and economic management, of doing even more in the future. No one can doubt this when he realizes that six millions of our citizens carry certificates in

fraternal orders and there are over seven billions of dollars today represented in the protection afforded these certificate holders and their beneficiaries. These orders are largely patronized by the masses. The money that has built them up represents much toil and is paid in by our laboring classes at great personal sacrifice for the protection of those dependent on them. They were first started in this country nearly forty years ago, and had as their first object the desire to assist the poor man in protecting those dependent upon him, by offering him insurance for premiums in small payments. They no doubt have their place in the great scheme of insurance, and upon us is placed the duty of properly supervising them. We cannot undertake this supervision without the necessary laws. It is hard to get what is needed in this line for fraternal orders, for proper legislation must necessarily be passed from the viewpoint of supervision in order to accomplish its work; otherwise the laws as passed are unsatisfactory."

"Uniform legislation is made desirable and best in the supervision of fraternal orders, as well as all other classes of insurance. The principles and requirements should be the same, with only such changes as are necessary to be in accord with the constitutions of the different States. Few States have satisfactory laws governing fraternal orders, while many have practically no laws on their statute books governing this class of insurance, and other States have such laws as are worse than none at all."

"The lack of necessary laws and proper supervision permits many irresponsible fraternal orders, with deceptive and fraudulent methods or practices, to operate in many States. The result is that our people are deceived and defrauded in the name of brotherly love and fraternity under the guise of law. Because of the diversity of plans and interest it is very difficult to get the officers and leaders of fraternal orders to agree on proper legislation affecting them. This makes it almost impossible in many States to get laws enacted governing them. The leaders rally their membership in opposition, with the result that our citizens demand and aid in the defeat of laws proposed for their protection and that are not intended to hurt, but improve the condition in their societies, and that will safeguard the interest of those dependent upon them. If the Commissioners do not take hold of this matter and speak out boldly in behalf of better regulation the situation will not be improved. It is only in this way that any legislation can be had in the States where the members of these societies practically dominate and control all legislation affecting them."

"That a change in the laws governing fraternal orders as well as in the method and practices of these societies is needed, is admitted by all thoughtful leaders in this work. It is by all means best that these improvements and needed changes should come through those who are devoting their lives to a study and working of fraternal orders. They are best equipped for the task. But if they will not take the initiative, then it becomes the imperative duty of the members of this body, upon whom devolves their supervision, to take hold of and do their best to perform the task, as they have done in other lines of insurance. While we may not know as much as the fraternal order men do about the subject, practically or even theoretically, yet I am sure we can, with proper tact and manage-

ment, use the information that is obtainable and do a great and lasting work in behalf of fraternal insurance. The order that has an honest management and is operating strictly as a fraternal beneficiary society need have no fear of being hurt, for, on the contrary, it will be benefited. The association that is neither organized nor conducted for the benefit of its members needs to be remodeled and improved, and, with proper laws, must either come up to the standard or else cease to deceive and defraud its members. They should no longer be allowed to stand in the way of proper practices in the business and the success of those societies that are entitled to succeed because they are honestly doing the work contemplated."

"There is no doubt but that this is a question of great importance, affecting as it does the many who are interested in fraternal insurance. Conditions cannot continue as they are. If the day of proper supervision and regulation is delayed, there will come with it a great upheaval, such as will not be pleasant or profitable to even the best orders. Now, what are we going to do about it? There are so many fraternal orders and societies, so different in their character and management and operating upon such entirely different plans, it will be impossible to get changes which will prove satisfactory to all of them. All of these societies are affected as well as the membership, amounting in this country to over six million people. Not only are the members, but those dependent upon them, which make practically one-fourth of our whole population, vitally interested in this subject. We must get away from the conditions existing in many fraternal orders—inadequate rates, unlimited assessments, coupled with the fact that they can scale their claims and are not bound for any definite sums to the beneficiaries of their members. Fraternal feeling may for a time prevent a disruption of these societies, but ultimate failure is inevitable."

Needed Reforms.

In that address the speaker went on to discuss the improvements and reforms needed along the lines of—

1. The class of charters permitted.
2. The kinds of contracts issued.
3. The government or management allowed or required.
4. The necessity of adequate rates.
5. The exercise of proper supervision, requiring a strict accounting and full publicity.

The usefulness of all fraternal societies depends upon their ability to furnish protection to their members efficiently, economically, and with the certainty that their financial plans will enable them to carry out their agreements and obligations.

It was generally understood by the great leaders in this work, as well as by the supervising officials, that the situation at that time in the fraternal world was acute and demanded prompt and decisive action. This was deemed necessary, not only to protect the holders of these certificates, but to place the business upon a proper basis, and save it from a decline that meant ultimate ruin. The fraternal insurance business had increased rapidly, even wonderfully, but the expenses had increased with even greater rapidity and become excessive. The system was thus losing its most valuable asset.

The mortality demands could be controlled only to a limited extent; but the fraternal system properly conducted presented the best opportunity for a low expense ratio in management and the procuring of new business. The Insurance Commissioners decided upon doing the necessary thing, and, however they may have been abused as dictatorial, and taking themselves and their offices too seriously, it was gratifying to them, and most creditable, that the leaders and officials in the best societies approved of the decision of the Commissioners and rendered them most efficient aid. Both of the great bodies of fraternal orders (The National Fraternal Congress and Associated Fraternities of America) eventually joined in the work to draft a bill to place fraternal societies on a sound financial basis.

Viewpoints of Supervision.

The value of legislation depends largely upon the viewpoint from which such legislation is looked at, and the laws worked out. In considering the fraternal situation and the forming of an uniform bill, there are three viewpoints:

(1) **The Viewpoint of the Members.**—If the policy or certificate holder looks at the matter squarely and in a business way, he realizes that in insurance, especially on the mutual or co-operative plan, he can get only what he pays for. The dangers lie in his not being kept informed as to the conditions and needs of his society, or falling into the too common idea or delusive hope of "getting something for nothing." Even fraternity and brotherly love will not accomplish this in insurance.

(2) **The Viewpoint of the Officers.**—Where these officers or managers are honest and understand the business, their viewpoint is one of great advantage. Where the officials are honest, but ignorant of the business, their viewpoint is of little or no value. A third class, who are either both ignorant and dishonest, or else would like to see the right thing done, but are too careless or dishonest to say or do anything that would jeopardize their tenure of office, are absolutely dangerous to their societies and a menace to the fraternal business.

(3) **The Viewpoint of the Supervising Official.**—Called to the work by his State for the protection of her citizens, he recognizes his responsibility and takes in the situation. He realizes that he is not an expert in the business of running these societies, yet he sees the dangers confronting them and the necessity for prompt action.

Uniform Bill.

The Convention at Colorado Springs by resolution directed its Committee on Fraternal Orders to prepare a uniform bill to be submitted to the Convention. The committee prepared certain inquiries for information and suggestions, and sent them out to all fraternal societies, and also invited the officers of the societies and their leaders to meet them for consultation in New York city in June, 1910. Many prominent fraternalists representing the leading societies in the National Fraternal Congress and the Associated Fraternities of America were present, and were accorded every opportunity to express themselves as to the situation and the provisions of a proposed tentative bill. For a while many of the representatives of fraternal societies were

inclined to hold back and not agree upon or commit themselves to any bill or special form of legislation. The committee took the position that a crisis was at hand, and something was necessary to be done to prevent disruption; that there must be a real progressive step; that at least a provision for minimum rates and valuation of certificates was advisable.

Chairman Folk, in speaking for the committee, said: "It is up to the fraternalists to take some action. If they do not, they will be on the rocks, or there will be an explosion that will drag down the best societies. This committee is gratified by the attitude of most of the fraternalists on the subject of this bill, and it is willing to compromise if steps be taken toward the goal of safety. If the committee observes that the fraternalists hang back, it will prepare a bill to cover what it believes to be right and fulfill its obligation to the public. An advance step is possible. The fraternalists must collect enough to carry out their contracts. If they cannot collect enough by their regular assessment, they must collect extra assessments. This subject of getting together is of more importance to you than to us. If you cannot get together, we will adjourn this conference and draft a bill for introduction at the next session of the Legislature in each State."

Subcommittee.

The committee appointed a subcommittee, composed of its chairman, Commissioner Folk, of Tennessee, and Commissioners Lemert, of Ohio, and Young, of North Carolina, to draft a bill. The result was that this subcommittee held different meetings, inviting the aid and co-operation of all fraternal societies and leaders, and with the active aid of committees representing the National Fraternal Congress (C. E. Piper, Abb Landis) and the Associated Fraternities of America (A. H. Burnett, B. D. Smith, Lee W. Squier, R. S. Iles and George D. Eldridge), and other prominent fraternalists, framed and submitted to the Convention the bill finally agreed upon and adopted and known as the "Mobile or Uniform Bill." The bill was necessarily a compromise bill, and as such, of course, not perfect nor entirely satisfactory to any one concerned; but it was fair, and a step far in advance of any supervising fraternal law theretofore generally adopted. The bill was an attempt to solve the difficult problems confronting the fraternalists, and was the result of the best thought of fraternalists and Insurance Commissioners. It proposed legislation, not for any particular society or its special requirements, but to save the fraternal societies, and perpetuate the great fraternal system. The bill provided for a representative form of government, a strict accounting, valuation and publicity, and it made it necessary that if a fraternal insurance society's rates were not high enough to enable it to do what it promised to do, thereby deceiving its own people and defrauding them, that the society must prepare to raise them to where they would be sufficient or ultimately to go out of business. It recognized that the membership were entitled to know the condition of their society to the fullest extent, and that no more in fraternal insurance than anywhere else would a dollar pay more than one hundred cents. Many valuable provisions are incorporated in the law. A representative form of government is guaranteed. A valuation of certificates is provided for, not as a

test of solvency, but for the information of all concerned. The governing bodies and officials are held to a strict account with proper supervision and publicity, while the members are safeguarded in many important ways. It is provided that valuations shall eventually be made and adequate rates obtained, yet in such a way as not to harm or destroy a society that makes a reasonable attempt and progress in improvement. The very section (23-a) so often attacked by the officers of certain societies was put in at the request of fraternalists to curtail or restrict the power of the Insurance Commissioner, for fear one might in his zeal go too fast, to the hurt of a society whose management was honestly attempting the matter of adequate rates.

Fraternalists Aid.

Representatives of the National Fraternal Congress and the Associated Fraternities of America acted with the committee of Commissioners in perfecting the bill, and these two organizations, comprising practically the bulk of all fraternal societies, certainly in membership and amount of business, endorsed the bill and each appointed a committee to see that the bill was introduced in the Legislatures of the different States and pressed for enactment. The National Fraternal Congress named Messrs. C. E. Piper, J. J. Hynes and D. P. Markey, while the Associated Fraternities was represented by Messrs. W. E. Davie, B. D. Smith and A. H. Burnett. These two committees have been active in their efforts and deserve much credit and commendation at the hands of all who have the good of fraternal societies at heart.

Actual Cost.

The proper idea of fraternal insurance no longer calls for cheap rate protection. The society is to be run not to make a profit, but to furnish insurance at the actual cost necessary to provide for the payment at its maturity of each certificate according to its terms. It is understood that the law of mortality cannot be evaded. There is no escape from its operations. It is God's law and no respecter of persons or their organizations. The merchant cannot prosper and sell his wares below cost. The manufacturer must dispose of manufactured articles above their cost. A fraternal society can no more operate on inadequate rates than an old line company.

Endorsement.

A president of one of the largest fraternal societies in this country, in giving his opinion as to the "Mobile Bill" after it was passed, said: "Fraternities were ably represented at several of these meetings and threshed out the complex problems thoroughly, finally succeeding in getting a compromise measure for State legislation that is fair to every society desirous of doing an honest business, and carrying out the principles of real home protective insurance orders."

The above statement is especially interesting when it is understood that this official and his society are now doing all in their power to prevent the adoption of the "Mobile Bill" in different States.

Bill Adopted in Maryland.

One of the last States to adopt the "Mobile Bill," though with some changes, was the State of Maryland. And it is of interest to note the statement made by Mr. C. C. Hall, actuary of the Maryland department, in regard to this bill, as follows:

"The new law makes a decided advance in legislation upon this important subject, embodying as it does definite regulations as to the conduct of the business of these associations, the operations of which have attained to large proportions. The supervising authority of the Insurance Commissioner has been greatly extended, reaching to plans of organization, rates, contributions charged, mergers and reinsurances."

One of the most progressive and best managed societies is responsible for the following endorsement: "Those who criticise and complain of the 'Mobile Bill' and its requirements will yet see their mistake, and will realize that that bill and the results obtained under its wise control will make not only Modern Woodmen a permanent institution, but will restore the fraternal system to the absolute confidence of the public, and in the long run fake and mismanaged institutions will fall by the wayside."

Big Task, But Necessary.

It must not be thought for a moment that those who favor this bill, either supervising officials or officers of the societies, are unmindful of the magnitude of the task undertaken; but they believe it is absolutely necessary that the fraternal situation should receive attention, and that promptly. They realize that while it is necessary to put all fraternal orders into a condition of solvency by the collection of adequate rates, and perhaps an easy matter to work with new societies or new business, that it is not an easy task to provide a proper adjustment of rates on old business. Where a society is adjusting its rates it must deal equitably with all of its members, old as well as new. And yet it must so act as to prevent lapses and preserve the existence of the society which has for years sold insurance on an unscientific plan and for insufficient contributions by its members.

Each class of members must be fully protected, and frequently this can only be done with the old members by a separation of the members into classes. This is one reason why the period during which the fraternal orders are required to place their business on a sound footing is extended as is provided in the bill. Much opposition is aroused by the requirements as to valuation. But of course the valuation called for in the bill is not a test of solvency, as the bill specially provides that this shall not be the case, and defines what shall be legal solvency. It is not only the best thing, but necessary for the information of the membership and to educate them and those who as managers hold in their hands the destinies of these societies. Officers and members must be taught that the increase of the funds of the societies from year to year is not conclusive evidence that the society is prospering, as its liabilities may be increasing at a much larger ratio.

Position of the Societies.

I have endeavored to get at the fraternal situation from what the societies themselves were doing in their organizations, as well as

in their individual societies. There are three organizations, the National Fraternal Congress, the Associated Fraternities of America, and the Federated Fraternities. Practically all of the fraternal orders or societies of any size or importance belong to one or more of these associations. I have a tabulated statement of these matters, but think it best not to publish the same at this time, but to give a synopsis.

National Fraternal Congress.

The societies (forty-odd) belonging to this association have for several years, with few exceptions, stood and worked for adequate rates. From two societies I have no data, but out of forty-one societies belonging to the National Fraternal Congress, thirty-three (33) are now rating new members on National Fraternal Congress rates. Two additional societies are on approximately National Fraternal Congress rates, but make deductions for expense purposes. Twenty-five of these societies on adequate rates for new members have readjusted since the agitation for legislation commenced five years ago. Nineteen have readjusted at attained ages and six at entry ages. My information is that of the six societies belonging to the National Fraternal Congress who have not yet made readjustments, three are having valuations made preparatory to plans for readjustment.

Associated Fraternities of America.

In the fifty-one societies reporting as members of the Associated Fraternities, twenty-five are now on adequate rates. Ten of these applied the new rates at attained ages and fifteen at entry ages. Of the remaining twenty-six societies, my information is that eleven are now having valuations made and are preparing to make readjustment of rates.

Federated Fraternities.

The Federated Fraternities, composed of societies opposed to the Mobile bill, and in fact to almost any supervision or proper regulation by the State, were recently organized to fight the bill; but they cannot stand against the spirit of progress as well as the fraternal societies composing the N. F. C. and A. F. A. Associations. These two associations are not only united in fighting for the Mobile bill, but are talking strongly about consolidating. One or two of the large societies are fighting the bill, and their position is not only a change of front, but a very great surprise to all who are interested in and watching the fight.

Of course there is no need of discussing the advisability of doing away with the so-called "pernicious activity of the Insurance Commissioners" and "giving the societies the largest liberty of action." The recent agitation, with its discussion and work, has established in the minds of all societies and the public generally that adequate rates are necessary for fraternal societies, and have given the movement towards adequate rates an impulse which is so great that it cannot be stopped until the work is completed.

Mistakes.

But it might be well to call to the attention of this body, as well as to that of the fraternal leaders, that not only readjustment, but

proper readjustment, is needed. The rates must be made adequate. It will not do to apply the rates at entry ages, or leave undisturbed the contributions of present members. These destroy the value of the adoption of new rates, for deficiencies will go on increasing. I would also call the attention of the Commissioners to the fact that many societies now licensed and having apparently adequate rates, make deductions for expenses of various kinds which destroy the adequacy of the rates and will lead to great trouble in the future.

Progressive Step.

The adoption of the Mobile bill means progress for fraternalism, and cannot be stopped. It is being introduced into every Legislature as fast as they meet and pressed for enactment. Many societies have actuaries figuring for them on rates and plans of adjustment.

The provisions of the "Mobile Bill" call for representative form of government, continuous publicity and accounting, and frequent appeals to the membership for the endorsement of their officials by providing short terms of office. It endeavors to bring every member of these societies to realize the necessity and advantage of participating in the management of his society. Such requirements as are called for in this bill embody principles by which each society should regulate its conduct, whether there is any law of the State calling for it or not. Each society should stop, as it were, and take stock. They should thoroughly investigate the condition of their society and its practices. They should have competent actuaries, to go over and value their certificates by proper tables, and find out whether their societies are in a position to furnish the benefits promised when the amount of these benefits and the rates are taken into consideration. The governing bodies of these societies with the best and wisest men in them should consider the report fully, and if necessary arrange to make the changes in a fair, intelligent and scientific manner. Even if they find that the society is in first-class condition, this information is needed, and will prove valuable. And if the investigation shows changes are necessary, not simply to comply with the "Mobile Bill," but to be in a position to pay the benefits promised, then the management, if honest, cannot hesitate to make these changes for the good of the society and for the protection of its members.

Time for Action.

The "Mobile Bill" is here to stay, and no live, progressive society can afford to be dodging it or evading the Territory or State in which it is adopted. Uniform legislation is best for the societies, and it should be of such positive character as will protect the members in safeguarding their certificates and giving them their protection at actual cost. Some say let all fraternities get together and agree on such arrangements as will make it satisfactory to all societies. This has been tried to the fullest extent, but in vain. I believe each one who participated in the work of framing this bill or watched it and the conduct of the various societies during and since, will agree that about all has been done along this line that can be accomplished. The Commissioners and those fraternities desiring real progress and necessary legisla-

tion have yielded sufficiently, and while they are yet ready to accede to any proper arrangement, it may as well be understood once for all that a return to first principles and the chief end and aim of fraternal societies to provide for the families of their members in case of deaths, accidents or sickness, will be insisted on as a fact and not merely theoretically. The Commissioners have no desire to unnecessarily interfere with the operations of fraternal societies, and are not doing so beyond their plain duty as seen by them as well as by the best informed fraternal leaders; but they dare to do their duty regardless of epithets and insinuations of those officials who fear the truth and turning on the light, or their allies.

The leaders of some few societies are crying for "perfect liberty of action to work out their own salvation in their own way," but those who realize the situation, and are willing to test their societies by proper conditions, are joining in the onward march of progress for fraternalism.

Conclusion.

In conclusion, Mr. President and gentlemen, I would sum up the "Fraternal Situation" in as few words as possible: There can be no doubt but that this Convention has taken hold of the matter of better laws and regulation for fraternal societies at the right time, certainly none too soon. Every Commissioner, as well as every thoughtful fraternalist, has had his attention arrested and seen the necessity of prompt and decisive action for the good of these societies and their members.

It is the duty as well as the privilege of each Commissioner, as well as the different societies and their members, to keep up this fight until this bill or something better becomes a law in each State. Public sentiment is pretty thoroughly aroused and the people becoming better informed as to the necessity of action. They begin to realize that the requirements of this bill embody the principles that should govern each society for its good, safety and preservation, and are calling on every fraternalist, who loves his society and believes in the great system of fraternalism, to stand for their principles and work for this law.

Decided progress has been made. The two great associations of societies—the National Fraternal Congress and the Associated Fraternities of America—are for the bill and bending every effort in well-directed endeavors to educate the people and carry forward the work. The bill has been enacted and put in operation in about fifteen (15) States, and there is no doubt but that other States will follow as soon as their Legislatures meet. There are now about thirty (30) States which require by legislative enactment or department ruling the National Fraternal Congress tables of mortality as the basis for minimum rates for all societies to be organized or attempting to transact business therein.

Many societies are now preparing for a readjustment of their rates and methods. Others have already acted, and notable among them is the great society, Modern Woodmen of America, that has shown such wonderful growth in the past. The courage shown by the management of this society in the great fight to bring about this necessary readjustment was fine and the whole campaign and its results well show and exemplify the fraternal situation. In the

fight before and since their action they have had the support of other first-class societies as well as of the members of this body. Only one or two really large societies are standing out against this progressive movement, and while it is hard to see on what they base their action, it is generally believed that they will ere long see their mistake and respond to the best interests of their societies and membership.

Just and Necessary.

This law is in justice to the officials acting as trustees of the immense amounts committed to them by their societies. The principles laid down herein are necessary for the continuance of these societies and their preservation, as well as the protection of their certificate holders. Could any one, honestly desiring the success of these societies, object to a representative form of government, short terms for officials, frequent accounting, full publicity, adequate rates, and proper supervision by the State departments as to the manner in which the societies are conducted?

Down in my section a great many associations and societies are run for the benefit, and too often to prey upon, the negro. Small sums are collected weekly with promises of sick and death benefits, and I need not say we have many complaints. Recently an old colored man came in to have his policies examined. He was told what he was to pay on each policy and what he would receive in case of sickness or death. He said he understood it all that way, and when he was asked what was the trouble, replied: "Lord, Boss, I want a policy with some destination to it!" People generally are beginning to feel very much like the "old darkey."

Let no officer of any society deceive himself by believing that his society can prosper or that he can continue to have charge of the same if the society is run on wrong principles with inadequate rates and his membership deceived by him as to the real condition of their society. A day of reckoning will speedily come, and the day is not far distant when the people of this country will well understand the difference between a society collecting adequate rates, properly managed and run in the interest of its members, and one that cannot afford to let its members know its real condition.

VALUATION OF FRATERNAL SOCIETIES.

By Hon. L. A. Anderson, Actuary Insurance Department of
Wisconsin.

Mr. President and Gentlemen of the Convention: The fraternal societies of today are facing some very serious problems, and among these the question of valuation is one of the most important. In considering this subject, therefore, we may properly ask ourselves, What is a valuation and what are its purposes?

Ordinarily a valuation is simply an accounting, an invoice or taking stock of the condition of a company or society.

The purposes of valuation are three, viz.:

1. To test solvency as in legal reserve companies. (This can be divided again under the heads of (a) legal solvency, and (b) financial or commercial solvency.)

2. To determine equities and prevent discrimination.

3. To furnish a basis for readjustment.

A valuation may be made by either of two methods, viz.:

1. The prospective.

2. The retrospective.

Prospective Valuation.

If a company has issued guaranteed contracts, regard must be had for the future. That is, a prospective view is taken of the benefits promised, and the value of these is brought down to a present value. This present value is the liability.

On the other side of the account are the present assets together with the present value of the future contributions. If the sum of these is equal to or exceeds the present value of the benefits promised, the concern is solvent; otherwise it is insolvent. This is called a prospective valuation, and it is the proper method to use in dealing with companies that issue guaranteed contracts, but in my opinion it should not be applied to a mutual fraternal society organized and licensed under the assessment laws of the various States, which give them specifically the power to increase the rates or to call for extra assessments when necessary. These societies are not issuing guaranteed contracts, but, on the contrary, they have issued certificates at low rates which in the final analysis can give nothing but term insurance.

In the valuation of fraternal societies which have been issuing policies at rates which are wholly inadequate to mature the benefits promised, the question of legal solvency or insolvency as applied to old line or legal reserve companies may be practically dismissed, because, no matter how a prospective valuation is applied when considering the benefits promised, they will be well nigh hopelessly insolvent.

For example, one society that had assets amounting to \$226,000 should have \$1,325,000 according to a valuation on a whole life basis. Another society that had assets amounting to \$137,000 should have \$1,175,000; and one society which has been advertising that its rates are adequate and boasting of a big reserve fund,

would have to increase its present assets more than tenfold in order to become solvent on an ordinary life basis under prospective valuation. The task of making up deficits like these by assessments on the members, and especially where a large percentage of them have reached old age, must be well nigh hopeless. Nor is there any necessity for such a procedure. The members have deliberately taken the insurance at cheap rates because it was cheap, and because it gave them temporary protection at a certain rate and whole life protection at an unknown rate, which is optional with them to pay or to discontinue. The assets on hand must, therefore, of necessity be inadequate to provide a reserve on the whole life basis, though they may be adequate to provide the necessary reserve on a term basis.

The first necessary step to be taken in readjusting a society is to determine the equity of each policy so as to know with certainty when and to what extent additional contributions from the members are necessary. The difference between the assets on hand and the reserve brought out by a prospective valuation may be said to represent the value to the society on the one hand of the right to levy extra assessments when necessary, and the difference between the credit or equity on an individual policy and the whole life or adequate reserve for the individual members on the other hand represents the value of the right on the part of the policyholder to keep the reserve in his pocket. It is grossly unjust, therefore, to charge such societies with a whole life reserve which is brought out by the prospective method of valuation when the premiums paid are sufficient to purchase only term insurance.

Retrospective Valuation.

The other method is known as the retrospective valuation. This consists in crediting the premiums or assessments paid, together with interest on the accumulations at the assumed rate, and deducting the expenses and cost of carrying the risk from year to year. The balance, if any, is credited as a reserve.

If the premiums are adequate according to the mortality table used, and the rate of interest assumed, the results obtained by the two methods will be identical; but if the premiums are excessive, the latter method will give a reserve in excess of what is necessary to mature the policy and conversely, if the premiums are inadequate the reserve will also be inadequate.

The latter is generally true in fraternal societies, though the former condition has also been found to exist. The retrospective method is therefore best adapted for apportioning the assets of a fraternal society, since it gives every member a credit in proportion to what he has paid in excess of what it has cost to carry his risk.

If the premiums paid by a member are short of the amount required to mature the policy according to its terms he has no right to demand an adequate reserve, because, if a full and adequate whole life reserve is allowed on one policy there will be a greater deficit for other policyholders who have equal rights and obligations.

It has been argued at times that a company or society should live up to its agreements and that it is morally bound to live up to the promises made by its representatives. That is true as far as it goes; but it fails to take into consideration the rights of other

policyholders and results in saddling the burdens upon them and makes them pay the penalty for the misrepresentations of the agents.

Such a procedure would make the law destroy that which the law is supposed to protect, viz.: the equity among the members, and would bring the society into certain ruin. The only just method therefore is the retrospective where each policyholder receives credit for premiums paid with interest on the accumulations from year to year and is charged with an equitable share of losses and expenses.

The only difficulty met with in applying this method in past years was that the formula in use was too rigid. The accumulation formula as devised by Hon. Elizur Wright, Emory McClintock and David Parks Fackler would apportion the equities properly only when the mortality experience and interest earnings were exactly in accord with the assumptions, but this condition would scarcely ever be found to exist in any society and the computation would therefore lead to erroneous and absurd results. For example, cases are known where societies have collected less than the tabular one year term premium and have accumulated funds running into hundreds of thousands of dollars. In such cases, the old and rigid accumulation formula would fail entirely of its purpose. The funds accumulated constitute an overcharge and must belong to the policyholders or members because they constitute practically the only source of income. Every dollar of the fund belongs to them, although it has been accumulated very largely at least out of mortality and interest gains, which are at all times variable factors.

By the use of a modified accumulation formula, these gains are taken into account from time to time, so that the funds on hand and collections from year to year will be apportioned according to the actual experience of the society, and every member will receive credit for what is equitably due him. All gains on account of favorable mortality and excess interest are automatically put into a reserve to the credit of the policy. While so credited, however, it is nevertheless subject to being drawn upon to pay losses so long as the policy remains in force, precisely the same way as in term insurance, and in fact like all kinds of policies after reaching the point where the technical cost of insurance exceeds the periodical premiums paid. The credit is tentative only and will be changed each year as the experience of the society may require.

This method puts the insurance business upon the same simple common sense basis as all other business, viz.: that of debit and credit. The insurance protection which a member receives from day to day and from year to year is a commodity which has a money value. This money value can be computed with a high degree of accuracy and quite as easily as the value of groceries or of any other commodities. It is difficult to conceive, therefore, of any reason why a member should not be charged with the cost of that commodity from year to year as he receives it. Nor is there any reason why the amount paid in by a member in excess of such cost should not be credited to him.

Consider for a moment the way we do our ordinary business. If our grocer makes an overcharge of fifty cents we register a vigorous kick; if our banker makes an overcharge of twenty-five cents we sometimes accuse him of negligence, dishonest methods and even

downright crookedness; but if an insurance company makes an unjust charge against us on account of current mortality to the extent of five or ten dollars we say nothing about it, for the simple reason that we are ignorant of the fact.

Likewise, if our neighbor pays less taxes to the government than what in our opinion is justly due from him, we register a vigorous protest, but if our opulent neighbor receives his insurance protection in our society at perhaps one-third or one-fourth of its cost we say nothing about it. Some say it is brotherly, it is fraternal, it is charitable to grant such favors promiscuously to whomsoever it may benefit, whether he be a poor laboring man with a family to support or a retired banker, retired farmer, or a retired merchant. Such a contention is entirely unjustifiable, and no reasonable person would make such a contention if the matter were properly analyzed for him so as to show him the inequalities.

It is not intended here to minimize the value of fraternal features. On the contrary, these features are most laudable and should be cultivated and extended. The only criticism that can be made upon the way the fraternal features are conducted is that they fail to take properly into account the grounds upon which such aid should be extended. In some quarters we hear it argued most vigorously that upon reaching a certain age a member should be entitled to such and such benefits simply because he has reached that age and without regard either to his financial condition or to what he has contributed. I contend that as far as the purely fraternal benefits are concerned each case should rest on its own merits. There should be a committee or body of officers or other properly constituted authority to pass upon each individual case, to determine what fraternal aid should be granted and to have such aid paid out of a separate fund. Call it fraternal fund, sick fund, distress fund, or whatever you please, but keep it separate and distinct from the reserves which are accumulated to make good the benefits promised in the contract. The practical administration of this work can best be done through a local lodge, where the members know each other and can easily determine the facts and circumstances as to whether or not the member is justly entitled to such aid.

The insurance business transacted by the fraternal societies today has been developed and extended entirely too far beyond the "pass the hat" method of the early societies to be conducted in the loose and haphazard way that prevailed in the early days. Practically all of the societies about which this Convention is concerned issue a contract with rather definite promises, and upon fixed premium rates which are in many cases wrongfully held out and advertised as adequate to mature the benefits promised. There is every reason therefore why this part of the business should be conducted on business principles.

I said at the outset that a valuation is an accounting, a taking stock or invoice of a company's business or financial standing as a whole, but it also has another purpose, viz.: that of determining whether or not the members are equitably treated, one compared with another. For example, the valuation made on the modified accumulation formula referred to above will show with certainty if a member is receiving his insurance at less than cost; and, likewise, it will show the amount overpaid by those who have overpaid. In short, as stated before, it puts it on a debit and credit basis.

The one thing which is probably responsible for more of the confusion in these societies than anything else is that little if any attention has been paid to the debit side of the account. Any clerk or secretary of ordinary business ability can credit premiums or assessments together with interest on the accumulations from year to year, but in order to apportion properly each member's share of the losses incurred from time to time it is necessary to be somewhat familiar with mortality tables and actuarial processes. This, then, is the one point where actuarial assistance is necessary, and this part of the work can be reduced to a few simple rules and applied to tables already computed so that when simple contracts are issued practically all the work can be done by a secretary of ordinary ability in such a way that the wholesale discrimination which now prevails in many societies on account of confiscation of equities, as well as laxity in the adjustment of rates, may be done away with.

The immortality and injustice of such wholesale confiscation of overpayments were fully discussed in connection with the passage necessary to repeat all the arguments at this time, but the conditions of the first nonforfeiture law in Massachusetts in 1861, and likewise in connection with the passage of laws in 1906 and 1907 to forbid the issuance of Tontine and semi-Tontine contracts, and it is not presented in many of these societies are so strikingly similar to those prevailing half a century ago that it may not be out of place to quote a few extracts from some of the arguments made at that time.

The Hon. Elizur Wright, who was easily one of the highest authorities of life insurance, said, while advocating the passage of the first nonforfeiture law:

"It is not to be supposed that life insurance companies themselves, whether stock or mutual, will be forward to ask for a law like that proposed, or fail to oppose it with more or less zeal. It curtails their power and allows less margin for expense and extravagance. The stock companies have an interest to make all the money they can, and the mutual, if not managed by those members who are most sure to pay their premiums, are always managed specially in their behalf. As the members whose policies are now in force generally expect to keep them so and do not contemplate misfortune for themselves, they would doubtless vote by a strong majority if they were to have the opportunity against cutting off a source of profit which tends to enrich themselves. Does that constitute a reason why just legislation should not guard against the driving of hard bargains by great corporations and the accumulation of unjust gains? Very large corporations may take narrow views of their own interest, and we think the companies which oppose this legislation may mistake their true policy, which is to have their business freed from all bugbears, all relics of barbarism and all unfair gambling, and made incapable of giving any customer a value less than that for which he pays." (Massachusetts Report, 1860, page 69.)

In a later report Mr. Wright expressed himself as follows:

"Corporations are the creatures of the Legislature and must undoubtedly conform the contracts they make to its will, when that will is once expressed. In this case, by expressing its will against a bargain which in point of morals is no better than a bet, and an

unfair one at that, we believe it will benefit the life insurance companies no less than those who would otherwise become the victims of their peculiar way of procuring pay for services never to be performed. I do not in the slightest degree question that this is done with the best possible intentions, but we have all read of a bad place paved with those good materials. Practically, the law is not needed against the best companies, which are altogether better than their bargains, but companies such as have been, and may yet be, under dishonest, reckless and mercenary management, can, and will, with such bargains, make a good thing in a financial sense of their bad credit by sending out highly magnetic and glib-tongued agents into quarters where their standing is not well known—and the world will always be too large to have it known everywhere—and alluring men to take policies who, after several premiums are paid, will discover their error and forfeit what they have overpaid as the best mode of escape from greater loss. By such gains in the mother country companies who are virtually swindlers, under the name of life insurance, wasting in profligate expenditures a full third of the funds entrusted to them, have managed to exist through perhaps an entire generation and make a show of solvency and respectability. They always court secrecy as to the ratio of their premium reserve to the net value of their policies, yet the insufficiency cannot be exposed without really enriching them by frightening the old policies into forfeiture. And when this has made their assets again equal to their liabilities, they will be able to recover from the temporary check given to their new business and go on as before. In reality, for ingenious rogues, a life insurance company, with the forfeiture clause in its policies, seems to be an engine for plunder with a principle of immortality in its very constitution." (Massachusetts Report, 1861, page 130.)

It is not intended here to convey the idea that the officers of these societies have introduced the forfeiture clause as a matter of design, much less that they are "ingenious rogues," but, on the contrary, the forfeiture clause is in the policies as a part of the system, together with many other crudities and relics of barbarism which have no place in a society which is supposed to be founded on brotherly love. For example, one society provided in its by-laws that "any member of the order who shall remove or disappear from his residence and remain away for a period of five years and who shall not report to the financial secretary his location or place of business, with full postoffice address, shall thereby forfeit his benefit certificate, which shall ipso facto become null and void." It provides, further, that "no beneficiary or other person shall have the right to pay the premiums or assessments, dues and fines of a member who has been absent from his last known place of residence for five years, etc."

These provisions were brought particularly to the attention of the Wisconsin department in 1911, when a woman complained that the financial secretary refused to accept the assessments on the ground that her husband had disappeared. The family was, therefore, deprived of the insurance by the operation of this by-law. No matter how much may have been overpaid, and no matter how much the family needed the insurance, the policy was absolutely void.

This raises the question, what is fraternity; and what are the characteristics that should mark the societies that are truest to the principles which they hold out as their slogan?

To read some of the arguments that are made at times in behalf of fraternalism one is almost led to believe that true fraternity means laxity in the adjustment of rates, muddled and confused accounts and absolute forfeiture of all rights in case of failure to comply literally with harsh and unworkable rules and regulations.

The confusion of thought regarding the proper relation between moral principle and business practice is responsible for much of the trouble in the fraternal world today.

What can be more fraternal than an equitable adjustment of rates and cost on insurance, and what can be more unfraternal than the confiscation of the policy values, especially when, as in some societies, the values at some ages exceed the whole life reserve? A moment of reflection will convince anyone who will look into these facts that there is much injustice done in the way the business of some societies is transacted. It will not do to say that it is a part of the system, and that other societies are equally at fault. Nor will it suffice to say that so and so many millions have been paid to needy and deserving widows and orphans, and that sick and accident benefits amounting to hundreds of thousands of dollars have been paid to aged and disabled members. All this and more could be accomplished by an equitable adjustment of rates and strict accounting of the equities by valuation so as to make the societies, in the words of Elizur Wright, "incapable of giving any customer a value less than that for which he paid."

"But," says some one, "that makes it old line insurance." Far from it. The fraternal societies can adopt adequate and equitable rates and a proper accounting system and periodical valuation without in any way interfering with their truly fraternal features. They could still have their representative system of government; they could still have their ritualistic form of work; they could still have their own system of loading for expenses; they could still have solicitation of business by the members, and thus save agents' commissions, if they are so disposed; and, finally, most important of all, they could have their lodge activities with their social entertainments, with their sick committees, distress funds, or charitable funds, from which they might draw to assist their members when in actual need. These features, coupled with a system of insurance based on scientific principles and strict but equitable accounting, would give us the ideal fraternal system.

Efforts have been made at times to give a reduced rate by discounting for lapses, and to have the benefit thus derived take the place of all forms of surrender values. There are two objections to this plan. First, the lapses are so variable that it is practically impossible to get any sort of reliable experience that will hold good for any length of time; and, second, while insurance policies are written to cover the whole span of human life, an insurance policy is, nevertheless, to a large extent, a contract from year to year. The increasing death rate, due to advancing age, is too well known to need a restatement. Likewise the necessity for a reserve in the early years to cover the shortage in later years is too well known to need restatement or argument at this time. To give whole life insurance at level rates, without reserves, therefore, is as

impossible as it is to make a round triangle. A considerable reserve is necessary on any contract running for a considerable length of time and if the policy is terminated prior to the death of a member, something must be done with this reserve. To give it to the other members means forfeiture to the one from whose premiums it has been accumulated so that the protection received while the policy was in force constitutes a value which is less than that for which he has paid.

Some societies have endeavored in the past to find a premium rate which would correspond exactly with their experience, taking into account both death rate and lapse rate. This is an impossibility because there never was a mortality table constructed, nor will there ever be one which will exactly fit the experience of any society for any great length of time. The only way to do justice to the members, therefore, is to have an annual accounting by valuation as herein outlined, to show the financial condition of the society as a whole from year to year, and to credit or return to the members any surplus or overcharge by waiving of assessments or otherwise.

If the mortality table chosen is so low that a deficit results at the end of the year, the deficit should be made up by extra assessments, but this generally causes a disturbance and results in adverse selection by frightening away the best risks, while the return of an overcharge, when made in connection with a statement that the reserve is adequate, inspires confidence. For this reason a mortality table should be adopted which has been shown by experience to be safe and equitable. There are a number of these in existence which can be purchased in printed form, together with all the necessary derived tables, at comparatively small cost. Hence, there is little need of spending large sums of money to compile new tables as long as the old tables are not shown to be inequitable or to work injustice, when a complete system of accounting and valuation is instituted.

The valuation in and of itself is of little value except as it has a bearing on other questions. A valuation by the prospective method will undoubtedly have one or two effects, viz.: either to produce a deficit which will hang like a thunder cloud over the societies and frighten away the prospective members and some of the best existing members as well, or the deficit would be so large that it would be ridiculed and unheeded. If the first of these is the result, then it will be positively harmful because it will destroy the societies, and if the second is the result, it will be simply useless labor and useless expense.

The retrospective valuation, on the other hand, when made in accordance with a modified or elastic accumulation formula so as to take cognizance of the actual experience from year to year, will rid the societies of the discrimination and resultant adverse selection which eats like a cancer into their vitals, and will at the same time furnished a convenient and equitable basis for readjustment.

A readjustment made in this way has three distinct advantages: First, it gives an inducement to the old members to transfer to some other form of policy on an adequate rate by giving them credit on a new policy for their equity in the old fund, while if they were to forfeit that equity there would be an inducement to remain in the old class. Second, it avoids the necessity of forcing an

increased rate on all the members at once. This is especially important because it gives time and opportunity to explain the nature of the change. Besides, it gives the members the opportunity to make a choice according to their own free will. By merging the mortality experience of the old class with the new it gives the old members full benefit of whatever advantage results from the infusion of new blood and avoids the feeling that the old members are "frozen out." On the contrary it is and remains to their advantage to work for the advancement of their society quite as much after the readjustment as before. And, third, it makes the society solvent at once by making the contracts whatever the premiums will purchase. It also avoids the objection of courts that the amount of the protection cannot be reduced, and is at the same time in harmony with the contracts and provisions of the by-laws to the effect that the policy is subject to the by-laws in force at the time of issue as well as any amendments that may be adopted from time to time.

The net result of this method of valuation and readjustment is permanency to the societies and a dollar's worth of protection for every dollar of premium paid without any interference with their truly fraternal features.

INSURANCE EDUCATION.

By Hon. Willard Done, Commissioner of Insurance for Utah.

Mr. President, and Gentlemen of the Convention: They say that when a man has been addicted to a haunt or a habit his unquiet ghost returns thereto whenever any sort of occasion offers. For seventeen years I was a school teacher; and my friends tell me that my mind is continually making return excursions to the educational field, no matter what may be the immediate occupation engrossing my attention. I am not sure but this retrospective habit may have its advantages. At any rate the habit exists, and I must plead guilty to one of those lapses in bringing before you at the Milwaukee meeting and again today the subject of Insurance Education. And I fear you will be disappointed in finding that my paper is rather a preachment on what to do and why it should be done than a practical treatise on how to do it. But you never knew a theorist that was not adept at telling others what to do. I am like a character of Shakespeare, in that I would rather teach twenty what to do than be one of the twenty to follow my own teaching.

I will commence my paper by quoting two lines of Longfellow, which are entirely germane to the subject before us:

"When by night the frogs are croaking, kindle but a torch's fire—
Ha! how soon they all are silenced! Thus truth silences the liar."

There is no darkness deeper than ignorance and lack of faith. Its lowest depths are reached when men know nothing and believe nothing. And this is where the "croaker" does his work. One of the most effectual cures for evils of all kinds is light and enlightenment. No one can be saved in ignorance. All must be saved from ignorance, which is one of the deadly sins. Publicity has done more to eradicate long-standing evils in any field whatsoever than any other agency that I am able to recall. Every man walks more or less in darkness; and even though he carries the lantern of his own experience, its rays may throw a doubtful shadow on his path, obscuring that which is before him or to the right or left. It is only when the sun of universal teaching and experience shines that all places about him become clearly visible, and he knows where he is and whither he goes.

You recall that when Madame Roland mounted the scaffold in the French Revolution she exclaimed just before the fatal blow was struck, "O Liberty, what crimes are committed in thy name!" This was entirely because people did not understand the meaning of liberty, but substituted license, sacrificing the lives of innocent people to license, the reality, in the name of liberty, the phantom. I might paraphrase this famous exclamation and say, "O Insurance, what crimes are committed in thy name!" Yet this is only because men do not know the meaning of insurance, but use the name to apply to some phantom conjured up from ignorance, as the license of the French Revolution was conjured up from violence. If it is a crime to torture one great name to violence, it is a crime to torture another to injustice.

For these conditions there is just one cure—education. While I am not one of those who regard education as a panacea for physical, mental and social ills, I think it is the universal solvent for all curative properties, and without it many agencies otherwise beneficial would prove useless or harmful. Insurance, like any other delicate instrument intrusted to the unskillful, has proved destructive to itself, its user, and its objects; until today, and it was much more the case a few years ago, the word can scarcely be uttered in a group without someone uttering or affecting a sneer. Not only, therefore, will crimes in the name of insurance become less frequent as the understanding of the term becomes more definite and more universal, but its positive benefits will correspondingly increase. The removal of the prejudice referred to, which is shared by many of our best and most influential citizens, will accomplish two objects. It will bring insurance into its own as the greatest financial benefaction the world has ever known, and it will spread this great system of thrift into communities and homes where it may not penetrate under existing conditions.

You will recall in this connection the remarks made by one of our most efficient and aggressive supervisors of insurance, as to his attitude of prejudice when he commenced his duties as supervisor, and the change wrought in him by his comparatively short term of intimate relationship with the business and those engaged in it. It illustrates the prejudice of the uninformed, giving way to the enthusiastic friendliness of the informed. And if a man of his learning and prominence in public affairs shared in these prejudices, it is not surprising that bitter antagonism should be felt toward insurance as a system by a great many of the masses.

Insurance has now passed from the class of luxuries to that of necessities. While it was regarded in the past as an extravagance, it is now justly regarded as a frugality, and it comes into the experience of every person. In an address I delivered before the Utah Association of Life Underwriters, in January, 1907, I made use of the following language:

(While reference is here made to life insurance, the same remarks apply to other forms.)

"For life insurance is a necessity of our modern life. It is no longer the luxury of the rich, the speculation of the man of moderate means, the gamble of the poor. It is the independence, the bread and clothing and shelter of the widow and the orphan; the sure support of the aged. It is the gospel of material freedom and independence, as worthy to be taught at the fireside and proclaimed in public as the gospel of spiritual salvation. In its sacredness, in its beneficence, in its mission of mercy, the message we give the world deserves an earnest hearing; the more so when the company in whose name and the agent by whom it is proclaimed are of the high character and subject to the strict regulation for which this association stands."

I still hold to the view therein expressed. I think that every citizen should approach the subject of insurance in a friendly and receptive mood instead of an attitude of antagonism and preconceived prejudice. While the latter condition has arisen from long years of avoidance of insurance or outright antagonism to it, the other condition can be approached only through thorough knowledge and familiarity. I know of no better illustration of the

magnifying of prejudice against a great business than developed during the Armstrong investigation of 1905, when food was furnished for unfavorable publicity which was eagerly seized by the newspapers of the country and spread broadcast under glaring headlines. While the articles were sufficiently misleading and prejudicial, the headlines were infinitely more so. The public read the headlines with all their venom, but failed to read the body of the article, which might have slightly modified their view. The result was a mass of prejudice added like fuel to the flame of misinformation previously existent. From that condition recovery has been slow; and I cannot avoid saying here as one of the sufferers from the kind of publicity referred to that whether or not the occasion for it was necessary, it was seized upon most unfortunately by the newspapers, which should have been the educators of the people, but became the source of uninformed and unreasoning prejudice against the greatest business in the world. All of which emphasizes the necessity of systematic insurance education.

In other ways, the necessity of popular insurance education is unmistakably illustrated. Who can estimate the vast amount of money that has been lost in the one direction of investment in questionable insurance promotion schemes? Who can even guess the number of old and dependent men and women who are left in their time of age and helplessness, impoverished through the failure of some chimerical assessment scheme which promised so much for so little? No one has yet tabulated the sum of human loss and misery occasioned by the failure of these systems and advocates of insurance that sedulously collected money from the living man's pocket and failed when it came time to protect the dead man's estate. There would be no room for these fatuists to ply their trade and no material for them to work on if there were a clearer and more general understanding of the principles of insurance and the true basis of present and ultimate solvency. One great leader of men when asked how he was able to keep together and govern a large community composed of diverse elements, answered in these memorable words: "I teach them correct principles and they govern themselves." So I trust we may be able to say in the future, probably the distant future, that we teach the people correct insurance principles and they protect themselves.

Some one has said that the education of the child should begin several generations before he is born. As ignorance of insurance matters has been handed down and accumulated for generations, why should not insurance education be so transmitted, and why may we not be honored pioneers in so worthy a movement? If our children or even our children's children are able to say when they assume the responsibilities of life that thanks to the system of education their fathers or grandfathers inaugurated, they are able to enter upon insurance obligations intelligently and with clear understanding, it will compensate all our labors. We have been struggling on so long with a mighty poor substitute for education that it may not be very calamitous if we have to take a few years to develop a thorough system.

In large business matters it is no longer desirable, if it ever was in the past, to refuse to take the people into sympathetic partnership and confidence. The phrase attributed to one of our great captains of industry, "The public be damned," is now considered

not only brutal, as it always has been, but very impolitic and unwise. And if even it were true that "the public like to be humbugged," it is not now considered ethical or even profitable to perpetrate the humbug. This is especially so with a semipublic business such as insurance. Long before the upheaval of 1905 and 1906 the great insurance man, John A. McCall, then president of the New York Life Insurance Company, made use of these words:

"Fullness of detail and directness of method in report making and cheerful submission to the requirements of all insurance bureaus have given the company the benefit of suggestions and criticisms, both by the plain business man and by the experts of the business throughout the world."

To these sentiments, this policy of frankness, I subscribe with all my heart, and any scheme of insurance or otherwise that fears or shuns the full publicity here courted deserves the failure that is inevitable. Our respected president, Hon. F. W. Potter, has said that sunshine is a great germicide. I may add that it is also a great promoter of healthy and wholesome growths.

Referring again to the need of insurance education to enable the people to protect themselves from themselves, I speak of the facility with which the public get into trouble in insurance matters on account of ignorance of fundamental principles. A reference only is needed, as you, my fellow commissioners, can recall dozens of instances in your own States. You know also that when trouble arises the people send to you their C. Q. D., and they always want help P. D. Q. But, as was the case with the Titanic, it is then too late. A sinking ship or a failing insurance scheme is past cure. Prevention alone would have availed.

I wish to speak here of the various causes which have brought about the misunderstandings referred to. A principal cause consists in high-pressure methods of writing business, especially life insurance. You know that in the past more or less distant, the average insurance man was usually regarded with suspicion, and he generally deserved it. It often happened that he remained in a State or community only long enough to write a large volume of high-pressure business, collect and hypothecate notes, and then depart for greener fields. I use the word "greener" advisedly. All sorts of schemes were devised, in some instances by the companies themselves, to help these shysters. Advisory board schemes, special contracts, extravagant estimates and bonuses and all the other allurements which hoodwink and blind the public instead of enlightening them, were given to these men as their stock in trade. Taking advantage of the inherent desire of the people to get something for nothing, these harpies operated in certain localities, cajoled leading men into lending their names and worked the community for all there was in it, knowing that they would not have to be called to future accounting by their indignant victims. I am not drawing an extravagant picture of the operations of these men, and I am not blind to the fact that the companies were largely responsible for them. The educational side of the business was entirely subordinate to the mad rush for volume. So much so that on recent occasions in my own State I have told company managers that they can better afford to offer a bonus to their agents for uprightness and intelligent educational efforts among the public, to rehabilitate insurance in general and their own companies in par-

ticular in the good opinion of my people, than to give bonuses for large volumes of business, which may act as a destructive boom-crang not only against the offending company and agent, but against innocent companies and innocent agents.

It belongs to this division of my subject to say that it may be found opportune, perhaps the time has come now for it to be done, to demand that insurance men, especially in the life business, shall be trained, educated and examined as to qualifications before being licensed. The leaders in insurance matters in my own State have so urged. They stand ready to have a board of examiners appointed whose work shall be to take the applicant for insurance contract and license through a course of questioning, determining his moral and educational fitness for the work. We must come to this if insurance is to be recognized as a profession as well as a business. The only question is as to when that point will be reached. In the meantime, however, the education of the public will serve as a commencement on one side of the mountain of difficulty, and the education of the agent will help to level the other side.

I have no quarrel with militant insurance. Activity of companies and agents in securing business is commendable. I have no patience with ultra-conservatism in the insurance propaganda, which is only another name for mental or moral laziness. I think the gospel of insurance should be preached, and preached earnestly and effectively, for there is no better message that can be carried to humanity, affecting their temporal salvation. Yet these activities should be not only industrial, but educational. They should not be destructive, but constructive. Much evil has been done by the misleading advertisements of some companies and the misrepresentations of some agents in their competitive zeal for business. All the good that has been done may be repeated and multiplied, together with elimination of the evil, if this thing is gone at right. Companies should co-operate in this educational appeal to the public. I was pleased with an editorial suggestion in a Canadian insurance journal last month, that the companies get together in a co-operative scheme of insurance advertising, so that when an advertisement is shown the reader becomes possessed of the idea that insurance as a system is sound and the companies are sound, and not that insurance is unquestionable only as it is represented by one particular company.

The other chief cause of this general misunderstanding and prejudice has been the continuous work of fakers and shysters who have played on every string of misapprehension and antagonism, for the purpose of advancing their own selfish interests. It has been easy for these gentry to prey upon the credulity of the public, using as the basis of their appeals the real evils I have just referred to, and the imaginary evils which they have found still more effectual as a means of personal gain. To these agitators I shall give more attention in a later paragraph.

I think it opportune at this point to refer briefly to the various steps so far taken in the direction of insurance education, and the different agencies by which the work is being done. Through the splendid courtesy of you, my fellow commissioners, I am able to give a general statement of the educational movements so far undertaken in the various States. I shall not attempt to particu-

larize, as time will not permit; but I have complete data at hand from most of the State insurance departments, for future reference and use.

I find that in about half of the States a commencement has been made in agitation for fire prevention and the issuing of occasional department bulletins on insurance matters. In a few States the higher institutions of learning have taken up some salient features of insurance and used them as subjects of lectures and courses of study. In some of the great universities of the country and in certain technical schools of higher instruction there is manifest a comparative completeness of study on these subjects. In nearly half of the States, so far as information has reached me, nothing whatever has been done in the way of educating the old or the young in any principles of insurance, either directly or indirectly.

I feel a certain sense of relief in finding that so few States have taken active steps in this direction, because my own State is as backward as most others. In Utah we have just started a little work in fire protection and kindred topics, but the only attempt so far made to educate the public in insurance principles has been through bulletins issued by the insurance department and published in such newspapers as would give space thereto. But these efforts are most fragmentary, and their effect on the advancement of general insurance education is practically nil.

The various insurance institutes throughout the country have been active in this work, and my personal thanks are due to them and to the schools and affiliated bodies of insurance companies, for an explanation and exposition of the work they are doing. I should not omit to mention such agencies for insurance education as the various boards and associations of life, fire, casualty and other companies which are sending out vast amounts of literature of an enlightening nature on important insurance matters. I have found them active and aggressive in insurance propaganda, especially in the several fields they occupy. Their work, however, is necessarily restricted to their own people, and is scarcely broad enough in scope and distribution to accomplish more than very special ends. Yet I should not consider my duty performed if I did not call attention to the commencement they have made in the right direction, very many indeed of their efforts being purely disinterested and for the public benefit.

Even in their individual capacity these different agencies have played an important part in the great scheme of insurance education, and I have a suggestion or two to make on this point. The companies and their central organizations must use what Mr. Hotchkiss rightly calls the kindergarten method, using as their material the "children," which term may include all that are or shall ever be insured. Every kind of illuminating literature, illustrations and information regarding the method of conducting the great business of insurance should be scattered broadcast by agencies representing the companies. The methods now followed are more or less haphazard, and the different organizations lack the one essential of union and co-operation.

Not only can they make their own work more unified and systematic, but they can call to their aid other agencies. There is not a lecture bureau that would not be enriched by adding to its course of lectures a series on insurance. There is not an organiza-

tion of young men or women for enlightenment and progress that cannot well afford to devote some time to research and study in insurance matters. The newspapers and magazines are pleased to give space to topics which will enlighten and help the public. Great economic questions are often treated there, and I see no reason why there should not be a willingness on the part of influential journals to assist in this great educational movement. Of course where the advantage of a company or a certain number of companies is sought, such companies are, as they should be, willing to pay for the space. But where a body such as this or any committee that it appoints desires to get space for insurance publicity of a general character, without special reference to any company or group of companies, I am sure that the broad-minded journals in this land of ours are willing to grant it.

Underwriters' associations, representing whatever line of insurance they may, can usually get their educational activities before the public. It is so in my State, and I am sure in others. Commercial clubs, chambers of commerce, public bureaus of information and other civic and commercial organizations, if properly approached, I am sure would be willing to lend some of their influence and activity to this great cause. Wherever products of a community are placed on exhibition, insurance, which is one of the greatest of all, should be included in the exhibit; and some of the kindergarten appliances referred to can well be used. Other agencies will occur to you, which time will not permit me to specify.

Now my suggestion is that if these various agencies can accomplish a great deal in this direction by separate effort, if some means can be devised to concentrate their efforts in one body and one channel, so that co-operation will take the place of individual effort, and the separate forces now at work can be combined in one compelling force, results must of necessity increase in value and extent. This is one purpose that I had in proposing a committee of this Convention, which I thought might act at least indirectly as a sort of clearing house of information on insurance matters, which could be collected and distributed systematically for the benefit of various ones interested and engaged in the work of insurance publicity. I did not desire and do not now wish that this committee shall usurp the prerogatives and duties and responsibilities of the various organizations already named. It was rather intended that this committee should act in some way to systematize the work already being done and the work to be projected, in order that it may take form and substance under the guiding hands of the committee and of such persons as it may call to its help. I believe we must go at the root of this matter. It is not enough that we shall approach the present policyholders, or present beneficiaries, but generations yet unborn should have the benefit of this great work, if it is properly conceived and properly executed. It is not enough that we shall take the man and tell him about insurance. We must take the child and let him grow up from childhood with a knowledge of insurance principles, in order that when he becomes the active man, as he is now the potential one, he shall be informed regarding a subject so vital to his welfare and that of his dependents. We are not doing our whole duty now in simply sending out occasional warnings to the people against abuses which arise and may arise.

Such work is negative and fragmentary. It is our duty also to take the people of the future into our present confidence and give to them such training and instruction as will enable them by their own judgment to detect the evil and reject it, to know the good and receive it. This work is positive and systematic. If there have come into our field of vision scattered rays of light on insurance subjects, it is our duty to use the great reflector of learning and experience to gather up these individual rays of light, concentrate them in one great beam and send it forth to illuminate the dark places and enlighten the doubtful minds. This can be done through such a central body as the one proposed, a nucleus of which is formed in our committee on publicity and conservation.

I say a nucleus has been formed. I speak advisedly because I realize that in the past year only a commencement has been made. Not even the one who proposed this, or those to whom the proposition appealed, or even those who formed the committee or constitute its membership, could see or foresee its possibilities, and the form and substance that it might at a later time assume. The subject grows and reaches such magnitude that, while we are not appalled at the responsibilities it entails, we still realize to a certain extent the magnitude of the work before us. The suggestion made at our April meeting in Chicago, that a central bureau of this Convention be organized, may or may not be a practicable one; but if it is practicable and can accomplish the great object of insurance publicity and education, then its formation it seems to me will be entirely justified. To your wisdom this element of the discussion is submitted in confidence that it will be dealt with wisely and to the best interest of all concerned.

Now, regarding my own hobby. The practical suggestions which now follow I have reserved until this point, because I desire that they shall seem to be, as they really are, the outgrowth of all that has gone before. It seems to me that it should be considered as unfortunate for a young man to go into the business world, where all young men go, no matter whether they are business men or members of professions, without a knowledge of fundamental principles of insurance, as it is for them to go into the world of business without the knowledge of the fundamentals of other lines of business, such as banking, merchandising, etc. We consider ourselves negligent of our duty if we do not train young men as to the meaning and use of such terms as principal, interest, discount, bonds, notes, mortgages, etc. And yet I think we are equally negligent, I speak now of educational circles, in sending out young men into the world ignorant of such terms of insurance as reserve, surplus, premiums, policy, loading, commission, etc. Every man who has in his possession an insurance policy should know its terms and be familiar with their meaning. He cannot do this if his early education in this direction has been neglected. That is why it is a safe guess that not one in ten reads his policy, whether of life or fire insurance; and not one in ten of those who read their policies can understand them. It is a gross neglect of our responsibility, not that this condition should exist, but that it should continue long. I trust that this charge of neglect will not stand long against this Convention, on whom the responsibility for the education of the youth in insurance matters largely depends.

In order that it may not, I propose here and now that this Convention place itself on record as favoring the establishment of courses of instruction in insurance in the schools. I propose that we use every endeavor to induce superintendents of instruction in the States, counties, cities and districts to establish such courses. I propose that this shall be done not only in business colleges, but also in the high schools and colleges devoted to general cultural training. I place insurance second to no subject, not only in its utilitarian, but in its cultural value. You know that all subjects of education are judged from these two standpoints. Insurance, with all its related branches, will readily stand the test. There will be no dispute as to the utilitarian value of insurance as an educational topic. The whole insurance history, written in this country in the past decade alone, is ample proof. But in order that there may be no doubt as to its cultural value, I call your attention to the elements entering into such a study, and their adaptability to the training in scholarship of any earnest student.

Insurance covers so broad a field and embraces so many subjects that its cultural value is par excellence. The student of almost any general or technical subject will find in insurance a phase of study and training which will fit into his particular line of work, and add to his mental and practical equipment. The chemist will find in testing building material, fire fighting appliances, and in the various medical tests on the human body a broad field for his scientific attainments. The student of physics will discover in the investigation of accident prevention and the application of mechanics to the various branches auxiliary to insurance, a fertile field for his technical activities. The student of economics will discover in the various branches of insurance a field for research which is as yet only touched, not cultivated. The student of law will find the digest of insurance cases a veritable mine of legal information, and in the development of the system the lawyer will find a field for his matured activities which I believe is unexcelled.

The medical student will find not only in the province of medical examinations, already opened, but in the field of conservation of life and health, an opportunity for the most splendid activities and achievements. The student of mathematics will find in actuarial science opportunities for reveling in his chosen hobby. This will especially be so if the proposition is carried out to reconstruct mortality tables, and to place on a more scientific basis the reserve feature of liability, casualty and fire insurance. The student of financiering will be able to develop his activities and abilities through this study, because of the large fiduciary and monetary interests involved in insurance work; and this field will increase with a rapidity which is inconceivable to us who merely anticipate it, and will appear colossal even to those who are permitted to witness it. The field of conservation, aside from its medical phase, will also offer opportunities for study and progress and advancement which will touch practically every economic interest of our present and future citizenship. This one branch of insurance study alone offers cultural opportunities which would be difficult to overestimate. In the field of accountancy, connected of course with actuarial science, and yet somewhat apart from it, cultural and practical opportunities beyond computation are offered to one who would perfect himself in this line of work.

And so I might go on; but I am giving you only an index, not a catalogue, of proofs of my contention that there is no subject which could be introduced into our schools, the cultural as well as the utilitarian value of which is greater.

In this school work time and patience will of necessity enter. But undue haste should never be manifested in preparing young people for the great business and civic duties of life. If even the courses of instruction to which I have referred were extended through a term of years, therein might be an advantage rather than a disadvantage, because the child would grow with his growing knowledge of the subject, and it would become not only familiar to him, but a part of his intellectual make-up.

Now what is the alternative of this systematic and thorough and friendly training insurance-wise? I do not know. Nobody can tell. The future course of uneducated sentiment cannot be foreseen, in insurance or in any other subject. We have had surmises as to the alternative, and I think they have been as accurate as any forecast of this nature can be. It may be State insurance; it may be Federal supervision; it may be the ousting from the insurance field of the splendid aggregations of brains and capital now employed there, and the substitution of some untried, unknown experiment, manned by agitators and guessers, and unguided by experience or science or skill.

It is not the province of my paper to argue for or against any of these proposed, expected or threatened substitutes for insurance education. I am glad to know that some notable addresses on this phase of the subject have recently been delivered, among which I would name those by Mr. Hotchkiss, Mr. Chauncey S. S. Miller and Mr. Edson S. Lott. I commend these and other excellent treatises to your careful study. From these and other sources I gather the idea that under our present system of government Federal supervision is to say the least a very remote possibility, and State insurance promises to be little more than the prolific parent of pauperism and paternalism. Like other experiments, however, State insurance is likely to have its day. How extended it shall become, how long its vogue may be, no one has any means of knowing. As for my State, however, I have been content to advise a waiting policy. If other States and the nation at large desire to experiment I am perfectly willing that they should do so.

But if even Federal supervision or State insurance or both can be practically established and should be considered advisable, they cannot be made a substitute for proper education in insurance matters. They might prove a temporary emollient of our various insurance ills, but neither one nor both of them can be a permanent cure. But perhaps you will ask if education will accomplish this cure. Will it serve to protect the people and enlighten them as to their own interests, their responsibilities and duties? My answer is that if it will not nothing will. If it will not, our case is hopeless, and we may as well surrender ourselves and the public permanently to the ills which now temporarily oppress us.

The distribution of misleading competitive literature by companies and agents, although greatly reduced of late, has not yet been eliminated. Such literature is not educative, and its distribution beclouds the public mind and destroys public confidence in insurance generally. While it may secure a temporary advantage

to the company distributing it, it ultimately acts as a boomerang even there. I am taking the stand in my State that the circulation of this literature must cease, as I consider it one of the great evils against which protection is needed through educational means.

Another evil against which protection is needed, and which will grow to formidable magnitude if not checked, is the perpetration on the public of every kind of fraud and plan of personal aggrandizement in the name of insurance, by charlatans who have everything to gain and nothing to lose—not even good reputation. I have no patience with the men who for personal, political and chiefly puerile reasons continually make attacks on the business of insurance and those who represent it. For the honest reformer, whether mistaken or not, I have very great respect; for the dishonest agitator in the name of reform, I have nothing but contempt.

Attacks upon the great business of insurance have not waited for real justification. In many instances reasons for these attacks have been made to order. Men have split the air with cries against the great insurance trust until public confidence in insurance as a business and a profession has been shaken to its foundation. No good can come to the country at large and only temporary and questionable good to the individual, from such a cry as this. I believe that every fake insurance scheme that has been foisted upon the public in the last ten years has had as its basis the bitter antagonism existing against the sound, sane and sensible system of insurance, a system which in this country has grown to such beneficent size and quality that it has proved a blessing to the nation at large and to millions of its people. The cry of cheapness, of sectionalism, and what not, has usually been the cry of one who while pretending to protect one pocket has had his hand in the other. This the public should know; and this they will be made to know if the scheme of insurance education is properly carried out.

Revolution has been defined by one as evolution accelerated. Revolution is always uninformed and violent evolution. I believe that we and the people of this country have it in our power now to determine whether the developments in the insurance situation shall be evolution or revolution. We have the right to determine whether this change shall be educated and gradual or brutal and sudden. The right implies the duty.

I believe, therefore, that it is our unquestioned duty to teach the present and the future citizenship of this great nation these patent truths: That in the ultimate analysis, the people who insure are the insurance company. They compose it; they own it; its money is theirs; they support it; and it in turn supports them. Every loss that is indemnified is simply distributed over a specific number of people, the exact number that are insured in the company. San Francisco's loss is New York's loss; Houston's calamity is Salt Lake's calamity; Spokane pays the fire loss which occurs in Boston. Nor do the insured alone stand this loss. The nation will be a long time recovering from the San Francisco disaster. The entire country is now suffering the effects of the Houston conflagration.

They must know that a man whose property is burned cannot say that his loss is entirely covered by insurance. It is a loss

which cannot be covered. It is a total loss of property. He was fortunate, of course, if instead of enduring that loss alone he had it distributed among his fellow members. But the loss remains, and it is a public loss. From some other place money must be taken to replace the property destroyed. So when a man dies, his family is fortunate if they are not forced to bear the loss alone; but the loss involved is total, borne by many instead of a few. They should know that antagonism to insurance companies means antagonism to themselves; that raids on the funds of insurance companies are raids on their own money; that when an insurance company is unduly taxed, it is a tax on the thrifty people who insure and on no one else. The company has its existence only as the people form it.

If we are successful in impressing these and other fundamentals on the people, I am sure that they will not be deceived by such specious claims as are put forward by promoters who refer to imaginary dividends from underwriting, by charlatans who are constantly substituting cheapness for safety, by politicians who feed and fatten upon prejudices against large accumulations of capital, and by self-constituted "trust-busters" whose stock in trade is purely iconoclastic antagonism to every established and solid financial system.

If there have been abuses in the business—and what great business is free from them?—let the abuses be corrected. If mistakes have been made—and when so much is done how can mistakes be avoided?—let the mistakes be rectified. If criticism is justified—and who doubts that some of it is?—let the criticism be fairly met and disarmed. But all this corrective work should be done by the informed and the friendly, not by the uninformed and the antagonistic. And in order that abuses and mistakes shall be reduced to a minimum, and the unquiet spirits of destructive criticism be effectually laid, there must be aroused a sentiment for friendly education and the constructive reforms it will accomplish.

CONSERVATION OF FIRE WASTE.

By Hon. C. M. McCoy, State Auditor and Commissioner of Insurance Ex Officio of the State of Montana.

Conservation of fire waste, important as the subject is, seems to arouse but little interest on the part of the general public. It remains, therefore, for those of us who are charged with the responsibility of regulating the business of fire insurance and who, for that reason, are in a position where we can bring the subject home to the lay mind, to bend our energies in this direction.

During the year 1911, 1,200 deaths and 5,000 injuries were caused by fire. Most of these casualties appear to have been unavoidable—what other conclusion can be reached since no one was found to be at fault? Except in cases of criminal arson our juries have failed to fix the responsibility.

This is a point which I desire to emphasize in connection with the reduction of fire waste. First of all, the cause must be found, then the blame for the fire must be placed, and, finally, the guilty must be punished. I could stop here and would have pointed to the solution of the whole problem, for if the guilty were punished our fire waste would be reduced to a minimum. I do not wish to convey the idea that these fires are deliberately set—that is far from the truth. There are comparatively few cases where the owner or tenant voluntarily sets fire to his property—negligence and faulty construction contribute enormously.

In order to avoid this tremendous loss by fire, greater care in the construction and equipment of buildings and in the protection of their contents is requisite. If proper supervision of construction in our cities and towns is to be had, the first step necessary is the enactment of adequate building codes and the enforcement thereof. The American people have yet to learn the alphabet of conservation.

At this point in my writing, the particulars of a fire which occurred at four o'clock in the morning in a four-story building at Helena were related to me. The fire was started apparently from the careless disposal of a cigarette or cigar in a rubbish heap. The fire escape of the building was reached through a room used for storage, the door to which was locked, thus rendering the exit inaccessible. In this building one man had his sleeping apartments. When he was awakened by the flames there was no possibility of escape until ladders were placed at the windows by the fire fighters. The moral of this incident is too obvious to require exposition.

How many similar cases have we noted in buildings five times as high and occupied by hundreds of people? Unless conditions are changed in our larger cities, we will continue to have these appalling disasters, many—nay, most of which—with proper care, can be prevented.

The fire loss of the United States for the year 1911 is stated at \$234,337,250, in which, I believe, is not included the inestimable loss of timber upon our public domain, the timber loss in three or

four of the Western States being placed at \$50,000,000 per annum. The damage effected by forest fires is far-reaching; not only is the timber destroyed, but ranges where feed thousands of horses, cattle and sheep are ruined, homes are burned and crops destroyed. Although the national government has inaugurated a system of patrol, it has been impossible to minimize this loss. There is no doubt that a great many of these losses are caused by camp fires, but the principal factor is the railway locomotive. For such fires our railroads should be liable. Canada has now in force laws making certain requirements of railroad companies and holding them responsible, to the amount of \$5,000, for any loss occasioned by their negligence.

One attorney in Montana, at the present time, is prosecuting cases against railroads for \$300,000 damages caused by sparks from their locomotives. What must be the total fire loss from this cause?

Throughout the West thousands of new towns are springing up, as if by magic, and in the mad race of competition no provision is made for the elimination of the ash heap. Since only about half of the annual waste occurs in the cities, the other half deserves a large share of our attention. In the towns, villages and country districts there is no law regulating construction as a means of preventing fire loss. In each State of the Union, where it has not already been done, there should be enacted a fire marshal law; such a law should provide for the issuance of construction permits in districts, towns and cities having no building code or supervising building official, the location and description of the proposed building to accompany the application for a permit. It should then be the duty of the fire marshal and his deputies to make inspections of these buildings. It will, of course, be necessary to enact a set of building codes, regulating construction and providing different rules for towns and for country districts. This method may increase somewhat the expense of the fire marshal's department, but with a better class of buildings, improved conditions resulting from inspection, lower insurance rates and the reduction of the ash heap, the citizens of a State thus equipped will be remunerated twofold.

The impression is general that the paramount duty of a fire department is the extinguishment of fires. This is true, but this duty should become subordinate to fire prevention, which can be accomplished to a great extent in smaller cities having paid fire departments by a system of inspection made by the firemen. Such inspections should be made at least once a month.

The city should be divided into districts or sections, each district being inspected by the firemen from the station having in charge that particular portion of the city, the whole being under the jurisdiction of the chief. The inspection reports should point out just what improvements are required in the properties inspected, and when necessary the department chief should serve notice on the owner or agent of the property. At the expiration of a given time the premises should again be inspected, and if the requirements of the notice have not been complied with, the community through its proper representative should effect the alterations and charge the cost against the property.

The advantage to be gained through inspection by the fire department is beyond question. This method would enable the firemen to become familiar with every building in their district, and on responding to an alarm they would immediately know the construction, the best method of attack and the probable cause and location of the blaze. Where it would be impossible for the fire department to undertake these additional duties, a board of building inspectors should be charged with their performance.

In these days of our rapid development and progress, of increasing population, and city building, it is necessary that government and supervision keep pace with the times. More stringent regulations are needed in the planning and construction of our cities and towns, for the village of today is the city of tomorrow. In order to create these conditions we must educate our people in the prevention and extinguishment of fire, as they are now being educated in the prevention and treatment of disease. Hardly a magazine or newspaper do we read but we are attracted by an article on the prevention and cure of some disease. How often are we attracted by an article on the prevention and extinguishment of fire? To gain information we are obliged to consult some periodical or document which the layman rarely sees. It is surprising what a small number of articles on this subject can be found in publications of general circulation.

The National Fire Protection Association is doing a splendid educational work, but it needs and should enlist the co-operation of every man, woman and child to assist in the fight against the public enemy—Fire.

In Montana we have a law requiring instruction in the public schools as to the causes, prevention and extinguishment of fires. This, I believe, is a start in the right direction, for the instruction of the younger generation is the foundation of the success of this movement.

CONSERVATION OF LIFE AND PREVENTION OF ACCIDENT.

By Hon. W. L. Clayton, Commissioner of Insurance of Colorado.

Mr. President and Gentlemen of the Convention: When the subject of "Conservation of Life and Prevention of Accidents" was assigned me at our Chicago meeting, my mind naturally turned to my predecessor in office, Mr. Rittenhouse, upon whom I felt I could rely for material assistance in preparing my remarks, and I wish to publicly thank him for the valuable assistance rendered me. I also feel that we Commissioners should be proud of the fact that one of our number, a former member of this body and a former Commissioner of Colorado, is responsible more than any other for the interest the insurance world is now taking in this great work of life conservation. In 1909, as president of the Provident Savings Life Insurance Society, he established the first health bureau in a life insurance company, designed to conserve the health and lives of all policyholders by giving free health examinations and by a systematic educational method. Since that time he has consistently urged all companies to join in this life-saving work and is now at the head of the life conservation department of one of the largest life companies.

As State officials charged with the duty of protecting the interests of the insuring public, the Insurance Commissioners, individually and collectively, have very properly given attention to the subject of fire waste.

We have undertaken to help in spreading knowledge of fire prevention, not alone because we believe in preventing the needless destruction of property, but because it is obvious that a permanent reduction in the fire waste will ultimately result in a reduction in the fire premium rate which our constituents are now obliged to pay.

For this and other reasons, we should perform a similar service for the holders of life and accident policies.

If it is a good thing to prevent fire waste, it must be a still better thing to prevent life waste, for human life is the greatest of all our assets and the one upon which we seem to place the least value. We owe this service to our constituents, not only from the humanitarian standpoint, but for economic reasons.

The annual fire loss in this country has been estimated as high as \$350,000,000. The loss from needless sickness and preventable or postponable death is estimated to exceed \$1,500,000,000. This is a minimum figure—the actual loss is doubtless twice this amount.

This estimate is based upon the assumption that \$2,500 represents the productive value of a life, and also the loss of earnings during sickness and sick expenses. It can be readily seen that it is a very reasonable estimate, for the average age of those who died in 1910, according to the census, was about 36 in the cities and 42 in the country.

By aiding in the nation-wide campaign for the conservation of health and life we will therefore be contributing our share to the

prevention of this enormous economic waste. And, moreover, we will be assisting in lowering the death rate among policyholders, which will ultimately result in reducing premium rates.

Reducing the Death Rate.

We know that the death rate can be reduced by what has already been done. If in 1880 anyone had predicted that the death rate in the next thirty years would be reduced twenty-five per cent. he would undoubtedly have been regarded as a visionary, and yet this reduction has been made. That it can be still further reduced is evidenced by the fact that we still have in the neighborhood of 650,000 preventable deaths occurring in the United States every year. This reduction in the death rate has been almost wholly due to the discovery of the cause and the means of checking the sickness and mortality resulting from maladies that can be communicated—such as tuberculosis, typhoid, diphtheria and other germ diseases. The mortality from these diseases has been reduced about fifty per cent. since 1880, and the effect of this life saving has been to lower the general death rate as reported in the registration area from 19.8 per 1,000 population in 1880 to 15.0 in 1910.

But while the death rate from these diseases has gone down, it has advanced materially from the chronic diseases, such as those of the heart, arteries, kidneys, etc.

We find, therefore, that the death rate per 1,000 population from diseases of the younger ages has declined, and the death rate from diseases of the older ages has increased. The decreasing rate appears up to the age of 40 and beyond that it has shown a marked increase.

Inasmuch as our people have conducted and are now conducting a successful campaign against the communicable diseases, is it not time that some attention also be given to these degenerative diseases, which carry off many more people than do the diseases of the communicable class?

A Specific Task.

Is it of no concern that over 90,000 of our people are killed annually by various forms of violence; that we lose 325,000 lives annually from four preventable germ diseases alone, and that nearly 400,000 people die from ordinary chronic diseases, over one-half of which could be prevented or postponed if we could educate our people to healthful living habits, and to go to their doctors for periodical health examinations to discover these diseases before they are firmly seated and when they can be successfully treated?

Prof. Irving Fisher, of Yale, after a careful investigation and study of this subject, estimates that forty-two per cent. of the deaths in this country are preventable or postponable by the application of the knowledge we already have of the science of disease prevention.

Here, then, we have a specific task. We have about 650,000 lives to save annually. We have the scientific knowledge necessary to save them. This task, like most of our great problems, is almost purely one of popular education, and in such a campaign we are certainly in position to render some assistance.

We can do this through the publicity channels of our National Convention and of our individual departments.

We may direct our efforts along three lines: (1) Assisting in stimulating public interest in the general subject of life conservation; (2) assisting the public health service to secure support from the public; (3) giving such encouragement and assistance as is proper to such life and accident insurance companies as are engaged in an effort to reduce sickness and needless death among their policyholders.

Aiding the Public Campaign.

As to the first, I believe we should take every opportunity in our public utterances, official and unofficial, to impress the public with the importance of this movement, both from the humane and the economic angles.

There are a great many charitable and public-spirited individuals and associations in this country who are now rendering humanity a magnificent service in this task of educating the public to its duty in life conservation. I believe we should join them in this work. To do so would not only broaden the usefulness of our departments, but would increase their public standing and prestige.

Supporting the Public Health Service.

As to the public health service, it is not only entitled to our support, but it needs it, for that very important function of our government receives perhaps the least financial aid and encouragement from the taxpayers of any branch of our public service, local and national.

Anyone who will take the trouble to investigate our public health service will be amazed to learn how trifling are our efforts to save life compared to the needless wrecking and wasting of life that is actually going on. In fact, there are scores of small cities, some of them with over 50,000 population, that have virtually no public health service at all.

There is a great difference between efficiency and effectiveness. A city or State's health officer may be active, energetic and efficient and yet only twenty per cent. effective because the taxpayers give him a twenty per cent. organization.

It is a mistake to conclude, because a health officer is active and efficient and perhaps reporting a decline in the death rate, that the limit of life saving has been reached. We are almost sure, when our health service is criticised, to compare it with that of other cities or other States to show wherein ours is superior.

But this is not the way to measure the effectiveness of the public health service. We must compare our expenditures for the public health with the life waste that is still going on. If we will do this we will begin to understand that the public, through its health service, has scarcely commenced the great work of life conservation.

An Appalling Record.

In ten American cities, ranging in population from 80,000 to 1,500,000, the average amount spent per capita for the fire departments is \$1.73 and for the health service 24 cents—and these cities lose 28,500 lives annually by preventable disease and accident.

This is an appalling record of life waste for this day and age, and it is a crime to further ignore it. Our people seem to feel that they cannot afford the slight increase in the tax rate that would be necessary to put our public health service on a footing consistent with the size of the task it has to perform, but they forget the millions they are losing in needless sick expenses, in loss of earnings, and in the productive value of the lives they could prolong.

Community Neglect.

There is not a health department in the country properly equipped to combat the life waste going on within its jurisdiction.

We hear frequently of the very excellent public health service of New York, our wealthiest and greatest city, and yet that city has long ignored the urgent request of its health officer for the 200 food inspectors necessary to enforce the pure food laws even to a reasonable extent. It has compelled him to undertake to inspect, supervise and enforce the law in 27,000 food establishments with but thirty inspectors, which is a manifest absurdity, for however efficient these men may be they cannot possibly prevent the sale of adulterated, impure or infected food in all of these establishments. And New York is no exception to the rule; in fact, it has a much better food inspection service than most cities.

Colorado Carrying the Eastern Burden.

In Colorado we are helping to carry the burden of the East in the care of those afflicted with tuberculosis. All over this country our people are permitting those afflicted with this disease to spread the germs to others, with virtually no attempt to supervise or regulate them.

Colorado's life-giving climate attracts thousands of these people suffering from the neglect and indifference of Eastern communities. Many of these are restored to sound health, but many also succumb because they come too late; and as a result of the coming of these unfortunate people the death rate in most of our cities is abnormally high and cannot therefore be fairly used in comparison with other cities and States, or with the current preventable death rate.

The parlor match is most destructive and we are very properly making war upon it, but why worry about the parlor match when the tubercle germ kills over 150,000 people annually and afflicts perhaps 800,000 who are spreading it to others without restriction or supervision?

We Commissioners should give some thought to assisting in the improvement of our public health service not only to serve the insuring public, but to serve common humanity.

Conservation by Insurance Companies.

As to the insurance companies, they pay heavy taxes in nearly every State and have a right to ask that some of this money be used to protect the public health. In a sense, we are all employees of the insuring public because the insurance companies are required to pay the cost of supervision. We draw our salaries from the same source that the officers of these companies do, and wherever and whenever we can consistently and with propriety sustain and

support them in their efforts to reduce human misery and the cost of insurance it is our duty to do so.

The life insurance companies spend about \$6,000,000 annually through their medical and inspection departments to see that lives are unimpaired as long as possible after they are insured, because the rates are based upon medically selected lives.

If it is wise to see that no impaired lives are insured, it certainly cannot be wrong to spend a reasonable sum to see that they remain unimpaired as long as possible after they are insured, for the purpose is the same in both instances, namely, to prevent excessive loss.

Reducing the Cost of Insurance.

That a permanent reduction in the death rate will operate to reduce the cost of life insurance to the policyholders is obvious. If the average mortality of life companies is around eighty per cent. of the net expected, and it can by any means be reduced to seventy per cent., the annual mortality savings would be increased by ten per cent., and this would not be a mere bookkeeping saving, but actual cash which goes into the surplus from which dividends are paid to policyholders.

The latest annual statements available indicate that the mortality savings of thirty-eight American companies which have existed fifteen years or over was \$31,000,000 during 1910. And virtually all of this money reaches the policyholders, for the total dividends paid stockholders by life insurance companies are almost trifling compared to the amount of dividends and refunds which are returned to the policyholders. If it is a good thing to save this much, it would be a better thing to save more.

I believe it is an entirely proper and legitimate function of life and accident insurance companies to do everything they consistently can do to reduce the life waste among their policyholders, and I am glad to note the growing interest of these companies in this subject, as indicated by the time given to discussing it at the various meetings of insurance men throughout the country.

This life conservation movement has gained a wonderful impetus in recent years. Thousands of individuals and scores of organizations have taken up the work, large employers of men have become interested, and life saving methods and devices are being applied in the workshops of the land as never before.

A Great Field for Insurance Companies.

Why should not the life and accident insurance companies take the lead in this great educational campaign for life saving? So far as I am informed, there are but two of the large life insurance companies engaged in this work—the Metropolitan, of New York, which gives free nursing service to its policyholders of the industrial class and is otherwise aiding in the war against tuberculosis, and the Equitable Life Assurance Society, which has established a conservation department and is carrying out a comprehensive plan of life conservation along broad lines.

In addition to this, a smaller company in New York (Postal), which does a business through the mails, also has an efficient health bureau, and there are three or four of the newer companies, I am told, which are also issuing occasional health bulletins.

There are also some fraternities giving especial attention to tuberculosis, and the accident companies are now, and have for some time, been helping to reduce the injuries and loss of life from accidents.

Time for Action.

The insurance world is virtually unanimous in recognizing the wisdom of this movement. The Association of Life Insurance Presidents has been investigating and discussing it for nearly three years. The National Association of Life Underwriters and the Insurance Commissioners' Convention have both strongly endorsed the movement among life companies. But, nevertheless, out of 238 life insurance companies, large and small, but half a dozen have so far joined in this work.

The managers of these companies are charged with a grave responsibility and must of course give very careful consideration to the cost and the probable returns of any new departure like this. It does seem, however, that they have had ample time to study and discuss this problem, and I sincerely trust that the day will soon come when they will all be engaged in this great humanitarian and economic movement.

ADEQUATE RESERVES AGAINST EMPLOYERS' LIABILITY AND WORKMEN'S COMPENSATION RISKS.

By Hon. William T. Emmet, Superintendent of Insurance of New York.

I suppose that the principal reason why a new Superintendent of Insurance was asked to speak on the subject of Adequate Reserves Against Employers' Liability and Workmen's Compensation Risks was that this Convention would thus be spared any attempt by the speaker to settle this question once and for all. It would be an act of hardihood even for a seasoned veteran in the field of supervision to be at all cock-sure on a subject of this sort. A newcomer like myself must, if he has any sense at all, commence his address by admitting that he is absolutely incompetent to make any definite recommendations looking to the passage of ideal legislation by the different States. What he can do, however, is to make as careful a study of the history of what has already transpired in reference to the establishment of reserves against employers' liability, as his other duties will permit, and to ascertain the ideas of those most competent to express opinions on the subject of the efficacy of such laws as we now have. Moreover, he can collect the views of these people as to what should be done in the way of new legislation. He will not get very far in these labors, however, without discovering that experts disagree on this subject as they appear to on most others. As compared with some other insurance questions, however, this particular question is sufficiently new, the field is sufficiently uncharted to make this work of collecting expert opinion on the subject—however widely these opinions may differ from each other—in itself a useful one. The fact is, the subject has not as yet been discussed enough in public. Perhaps after all it is well that it should be treated on this occasion in the only possible way for me to treat it; that is to say, from the point of view of the historian, the tabulator, the collector of other people's thoughts.

It is from that point of view entirely that I shall address you, and my hope is that the wide circulation which is given to any formal address delivered before this body will, in the present instance, start the ball rolling in insurance circles throughout the United States in the direction of some adequate general legislation on the subject; but, if anyone seeks to discover in this paper any recommendation of mine as to what that legislation shall consist of, he will seek in vain.

History of Liability Loss Reserves.

For many years after the establishment of liability insurance in this country, and in fact up to nine years ago, there was no definite method of estimating the liability of companies for existing claims under this form of insurance, except in the State of Michigan. Each company made its own estimates—presumably on the merits of each individual case—and it took years to learn that the element

of deferred loss had not always been taken sufficiently into account.

Investigation made by the Michigan Insurance Department in 1900 indicated that the deferred losses on this business had been so large in most cases that if the other branches of the casualty companies' business had not been very profitable there would have been impairment of the capital stock of several of the companies doing this kind of business. In 1901 the State of Michigan enacted the first liability loss reserve law, which provided for a minimum reserve of forty-five per cent. of the earned premium. In 1903 this law was amended, changing the minimum reserve from forty-five to fifty per cent. The same year New York passed its first law regulating the reserves for liability business; this law was subsequently modified.

In the early years the business appeared to be very profitable; and it was not until it had been determined with some accuracy that the business of any given year required ten years or more of varying loss payments that the companies engaged therein awoke to the necessity of providing more adequate reserve funds than those indicated by an experience predicated on that of a few years only.

The problem was not an easy one to solve. There were no means of ascertaining the ultimate loss by estimates on individual cases, except by the application of personal opinions as to the result of litigation. This had been the method followed by most of the companies up to that time, and the reserve obtained thereby had in most cases proven inadequate and in all cases unsatisfactory. The reason for this apparently was that the heads of the claim department, who made these estimates, had the viewpoint solely of the defense in a law suit. They became partial judges, and were prone to minimize the company's obligations. The insurance departments and the companies could seldom agree as to the proper reserve funds, mainly because their viewpoints differed.

The Michigan system was criticised by many for the reason that the Insurance Commissioner was given the power to increase the amount required for reserve if he deemed it insufficient, and this brought in an element of uncertainty.

The next step in the direction of definite reserves for liability lines was made by the companies in the introduction of a law in New York and Connecticut about the year 1903. This was found to be based on wrong premises, and was superseded the following year by a law adopted in New York, accepted with some variations by Massachusetts, Connecticut, Illinois and California, and which remained in force from that time until the passage of the present law.

The method of computing reserves prior to the passage of the present law required each company to set aside a reserve sufficient to liquidate all losses outstanding at a given date, based on the company's own experience by the ascertainment of the final average cost to such company of notice of injury and of suit.

These factors of notice-cost and suit-cost were then applied as follows:

"The total number of notices of injury received by a company for the eighteen months immediately preceding the date of the statement was ascertained, and the average cost of notice multiplied by this number produced the probable ultimate loss cost of the

total of such notices. From the amount so obtained was deducted the actual loss payments on the given notices, and the balance was taken as the reserve necessary to complete the payments that would be required before the claims under such notices would finally be disposed of. There was, however, a still further reserve necessary to provide for payments to be made on litigated cases due to accidents occurring prior to the period of eighteen months. To arrive at this additional reserve, the total number of suits over eighteen months old was ascertained and used as a multiplier for the average cost of all suits settled during the first five years of the period of ten years immediately preceding the date of statement.

"The sum of these two amounts—the reserve for notices and the reserve for suits—was taken as the loss reserve required for the given company."

The reserve so ascertained was clearly based on actual "experience;" that is, the intention was to apply the experience of each company to its own business on the basis of the cost of accidents without regard to the premiums received or the rates for insurance charged. The company inclined to cut rates would be obliged to reserve sufficiently to provide for settlement of actual losses, and, in similar industries and on equal exposures as to the number of workmen, would find its reserves greater in proportion to premium income than its more careful and conservative competitor. On such a theory the reserve should be a correct one, however, in either case.

At the end of any given year the number of notices for the preceding eighteen months was the basis of the notice reserve, the factor being the average cost of all notices settled during the first five-year period of the ten years ended at the date of the statement. This notice cost differed in different companies by reason of the varied nature of risks assumed by the several companies.

The weakness of this method came from two sources: First, notices of injury were treated differently in different companies. This variance was so great and the discretion of their officers so broad that the average cost per notice of the companies doing business for ten years, which was the factor used for new companies, was improperly computed. Second, the factor used for suits was the average cost of all suits settled in the period of first five years of the preceding ten. This factor was inadequate for the reason that the total suits—including those settled on notices received within eighteen months—were used to arrive at the average suit cost, while the suits reserved for were those which had been commenced on notices received previous to eighteen months. In addition, there has been for a great many years a tendency to increased verdicts in personal injury cases.

The Insurance Commissioners' Convention—through its "Committee on Reserves Other Than Life"—took up the consideration of liability loss reserve, and at the request of the committee the companies engaged in this kind of insurance business called a meeting and appointed a committee to co-ordinate with the Convention committee in formulating a plan to bring about uniform laws in all the States governing this subject.

The companies' committee held a joint meeting with the Convention committee in New York city, and by mutual agreement the

companies' committee undertook to prepare a plan to be submitted to the Convention committee.

After consultation with the companies and much labor in committee, it was found that the only plan that would receive the unanimous support of the companies was one similar to the Michigan law; amended, however, to provide for removing the authority of the department to require additional amounts of reserve. Such a plan was submitted to the companies, and, after some slight changes, approved unanimously. It was then submitted to the Convention committee, and likewise unanimously approved. Later, it was submitted to the Convention at Mobile and approved by the whole body.

A bill comprehending the plan was immediately introduced in the Legislature of New York, passed in the winter of 1910-1911, and subsequently in a number of other States.

This brings us down to the present law, which provides for the use of the actual loss ratio of the first five years of the period of ten years immediately preceding the time of the statement, which loss ratio is ascertained in the following manner:

"After ascertaining the earned premium for each year of the first period of five years of the immediately preceding period of ten years, the losses actually paid on such business by years, including the unlocated loss expense distributed over the period as provided in the law, is set down opposite each appropriate year, and to these sums is added \$750 for each suit still in litigation on the business of such year. The proportion of the total losses so determined to the total earned premium for the given five-year period is taken as the loss ratio for such period. The sum of \$750 for each suit of such five-year period still unsettled is arbitrarily assumed, but is based on the general average cost as shown by the combined records of all companies."

The loss ratio, so ascertained, is the individual loss ratio of the given company, and as some companies—those whose business does not date back ten years—would have no basis for this figure, it was deemed wise to fix a minimum to apply to all companies. The nature of the risks assumed by some companies indicated a lower loss ratio than others so that the most workable plan seemed to be to fix this minimum at a mean figure between the average and the minimum individual experience. After much discussion the minimum for all companies was fixed at fifty per cent. for the first year, increasing each year one per cent. until the minimum became fifty-five per cent. A company able to furnish experience for ten years must use the ratio indicated by such experience, but not less than the minimum shown above. (Fifty per cent., fifty-one per cent., fifty-two per cent., according to the year.)

In computing the loss reserve, this loss ratio is applied to the earned premium for each year of the last five years of the period of ten years immediately preceding the time of the statement, and the results set down year by year. From these sums so ascertained as the ultimate expected loss are deducted the actual losses paid, including the unlocated loss expense distributed over the period as provided in the law, and the sum of the remainders should indicate the balance to be paid. As a test of the adequacy of the remainder as a reserve, it is provided that against each of the first three years of the last five, the sum of the expected cost of outstanding suits

at \$750 each shall be set down, and if in any of these three years this sum exceeds the "remainder," the largest sum shall be used for the reserve, while for the last two years the remainder shall be used in any event.

The sum of the foregoing provides for the reserve for the business of the last five-year period.

To this must be added the expected cost of the outstanding suits of the first five-year period at \$750 each and the expected cost of outstanding suits, if any, instituted prior to the period of ten years referred to at \$1,000 each. The grand total is the reserve set aside and reported to the departments. There are some other provisions for compensation insurance, but this form of insurance has come into existence so recently that it has not yet reached a point where anything can be learned from actual experience. Liability loss reserve laws were enacted during 1911 in the following States: Connecticut, Georgia, Massachusetts, Minnesota, New York, Ohio and Washington; and in a modified form in Pennsylvania.

Comments and Criticisms.

The present legal standards for liability claim reserves can be divided into two general classes: First, that generally known as a "Notice and Suit" method, which is still required by the laws of Illinois, California and Texas, and, second, the new legal standard of New York and other States.

The weaknesses of the first method have been pointed out so often, and are so generally admitted, that it does not seem necessary to discuss them further. The most urgent need at this time seems to me to be the substitution of a uniform standard of valuation for this method. It would be beneficial for both insurance companies and policyholders if a law similar to that of New York were placed upon the books of Illinois, California and Texas. The insurance companies are maintaining the elaborate tabulation of liability statistics called for by the "Notice and Suit" method, and must continue to do so as long as one of these States continues this unreliable basis of valuation.

The principle under which the New York standard is operated is generally satisfactory, but there are some changes indicated which it might be well to adopt. It will probably be admitted that the use of claim statistics for the calculation of the reserve for the very old years of business and as a check upon the liabilities of the third, fourth and fifth years just preceding date of valuation, is a safe and satisfactory method. The suit averages mentioned in the law, \$1,000 and \$750, are also probably adequate. It is in the method of obtaining the reserve for the two years of business just preceding date of valuation that the main weakness of the law seems to lie.

The importance of an adequate reserve figure for these two years of business is realized more fully when one considers the fact that from one-half to two-thirds of the total reserve item is based upon the business of these two recent years, and that more than one-third of the total reserve is based upon the business of the second year just preceding date of valuation. An underestimate of the liabilities of these two years will produce an important error in the total reserve item.

To consider another phase of the matter, it can be pointed out that the cost of obtaining the business is a factor which will have a considerable effect upon the future percentage. There is a tendency to cut down management expenses, such as commissions in the casualty gross premium. The result is that the gross premium is proportionately reduced, and the allowance for claims and claim expenses in the gross premium is increased. If this tendency continues—and it probably will under compensation insurance—it is possible that sixty-five or seventy per cent. will be the theoretical allowance in the gross premium for claims and claim expenses. There is probably no liability company writing business at this time at a loss ratio less than fifty-five per cent., and it is more likely that sixty per cent. would be a better minimum figure.

It has been suggested that, in order to improve the reserve standard of the second year of business preceding date of valuation, a suit check be used by applying a suit average of either five hundred or six hundred dollars against the number of suits outstanding for that year of business.

The average cost of all suits of sixteen companies between the years 1900 and 1907, inclusive, which were outstanding at the end of the second year, amounted to \$629, and of those outstanding at the end of the first year, to \$506. As this experience was as of July 1, 1909, it is far from being complete. Carrying out the figures on a conservative basis, we have an average suit cost for those outstanding at the end of the second year of \$655, and for those outstanding at the end of the first year of \$547. As the average cost of liability suits has not gone down in recent years, the above figures are ultraconservative. While there may not now seem to be the necessity for providing a suit test for the year's business in which the statement is made, the changing conditions in this business are such that we cannot forecast the future experience of the companies, and it would seem that a suit test should be applied to the first year's business, as well as to the second year's.

The reports of the Insurance Department of the State of New York under the present law show that in some cases the reserve upon the 1910 business, upon which there is no suit test, is wholly inadequate. If this business had had a suit test as the business of 1907, 1908 and 1909 did, much more adequate reserves would have been required in a number of instances. Certainly, if a business which is only two years old has paid out practically all of its reserve in losses, and has still a large number of outstanding suits, the premium reserve basis for that year is inadequate. Whether the suit test is used or some other satisfactory method which would produce for the second year an additional test, certainly some adequate basis should be arrived at for such year.

There were nine companies reporting to the New York Insurance Department this year whose reserves would have been increased if a suit test of \$500 a suit had been used on the 1910 business. Of these nine, four have been writing liability insurance more than ten years and reserve on their own experience, while five have been writing this line less than ten years and use the ratio fixed by law regardless of their own experience. Undoubtedly, if a suit test on the 1910 business had been called for by the law of December 31, last, the companies affected would have disposed of many of those suits before this time, and the actual

effect would not have worked a hardship. The increase of reserve which would have been required of these companies varies from \$1,000 to \$150,000. If a suit test of \$600 or \$700 had been used, the reserve would have increased considerably more.

The present New York law provides for the joint valuation of employers' liability and workmen's compensation business, which is proper. A few years hence when workmen's compensation claims of two or three years' standing begin to appear, based upon the business of two or three years preceding the date of valuation, some method will have to be devised to take care of the valuation of these items. For the valuation of those compensation cases of four or five years' standing, a plan can be decided upon for commuting the remaining compensation payments up to the limit of disability at some rate of interest, and, perhaps, of mortality. It is going to be a difficult matter, however, to find a proper average to apply to workmen's compensation claims which will be based upon business in the third, fourth and fifth years prior to date of valuation. There will be a great many of such cases and some arbitrary average to apply to the outstanding cases, in order to effect a check similar to a suit check for these years of business in liability insurance, must be determined.

As the law is at present, a new company just entering this business may, under some circumstances, be required to put up an inadequate reserve. It may be known to be doing reckless underwriting, paying exorbitant commissions, and rushing straight on to the road of insolvency, and still, as long as this company puts up the legal reserve, no matter how ridiculous it may be shown to be, the State is powerless to act. When it is remembered that out of the premiums received today the company may be called to meet a loss five, ten or fifteen years from now, the importance of adequate reserves is apparent. Conditions have changed so that a reserve based on an experience from five to ten years old may even prove unsatisfactory in the next few years.

Recently many of the States have adopted compensation laws, and, from all indications, within a short period all the remaining States will have some form of workmen's compensation law in force. The payments under compensation laws will not be long deferred, and the company should be able to ascertain its completed experience sooner than under the old laws of negligence.

Recommendations.

In view of the above, there can be no question of the inadequacy of the reserves produced by the new liability loss reserve law, nor of the desirability of so amending it that it will produce reserves entirely adequate for the purposes intended. However, the whole subject is one that should be very carefully considered by insurance men and insurance superintendents—not in a sensational way or as though an immediate calamity were impending, but with a full recognition of the fact that it is a subject which needs scientific treatment, and that perhaps on the whole it presents the most serious question which confronts the casualty insurance world today.

Adequate reserves must be required of the companies doing this class of business or there will be failures when the time comes that these claims must all be paid. There is a considerable agita-

tion in the country with respect to State insurance for industrial accidents. If by providing inadequate reserves there should be any extensive failures whereby workmen or their families are deprived of the compensation to which the courts hold they are entitled, it would give a weighty argument for those who advocate State insurance. The burden upon the departments of the country, therefore, to see that the companies which they license are financially able to carry out their contracts, becomes all the more serious when these considerations are placed before us.

LIFE INSURANCE IN GROUPS.

By Hon. Burton Mansfield, Insurance Commissioner of Connecticut.

Life Insurance in Groups presents a new subject. That two or three so-called group policies were issued many years ago covering the lives of coolies in order to indemnify shippers transporting those coolies over the high seas, does not take away from our conception of group insurance its unique characteristics.

Since the insurance investigation of 1905 in New York the work of the life insurance world has been largely constructive. The uses to which life insurance can be adapted have multiplied rapidly. While life insurance has its natural inception in the individual, such units are ultimately assembled in groups, and so considered. It seems to me, therefore, no great step to consider the group as the unit upon which to predicate the terms of a contract of life insurance, though the group itself is made up of individuals. Since indeed this step has been actually taken by experienced underwriters and put into practical operation, it is to my mind a proper subject for our consideration to be treated along broad conservative lines, and our results, if any, should be practical rather than technical, and, above all, uniform.

In our day of progress we cannot assume static conditions in the field of insurance, any more than we can assume such a state of affairs in our large mercantile industries. The real existing conditions are dynamic, not static. The changes in economic methods of concentration of wealth, the modern methods of manufacture, the development of the economic and social freedom of the people, all these have brought recently to the public attention a large number of proposals for new legislation, almost all of which provided, directly or indirectly, for better social conditions. The ethics of industry have been emphasized more in legislation in this country during the last five years than ever before. While many attempts have been made along this line of endeavor which are not based upon sound social philosophy or upon principles compatible with present economic conditions, many have been made, however, based upon such principles with apparent success. Practically all such constructive social legislation has a direct moral purport which must be given due weight in any analytical consideration of insurance problems, and in the extension of present insurance methods to meet the changing conditions.

It is interesting at this point to mention briefly some suggestions made four or five years ago by Prof. Henry R. Seager, of Columbia University, in a program of social legislation, which, if enacted into law would tend to bring about more nearly equal industrial opportunities, and to see in this connection to what an extent the solution of social problems yield to a proper application of the principles of insurance.*

He suggested that the wage-earners should be protected "in the continued enjoyment of standards of living to which they are

*Appendix, "Ethics," Dewey and Tufts.

already accustomed." He enumerated the principal contingencies which threaten such standards as: "(1) industrial accidents; (2) illness; (3) invalidity and old age; (4) premature death; (5) unemployment. These contingencies are not in practice adequately provided against by wage-earners themselves. In consequence the losses they entail, in the absence of any social provision against them, fall with crushing force on the families which suffer from them, and only too often reduce such families from a position of independence and self-respect to one of humiliating and efficiency-destroying social dependency."

We are all aware of the fact that existing employers' liability laws fail to recompense the workmen injured because of industrial accidents. Such laws make necessary the organization of companies which do not pay benefits to the injured in the usual accepted sense of the word, but insure the employer (not the employee) against claims which are made by the employee on account of injuries sustained.

Workmen's compensation laws have been enacted in ten or a dozen States during the last eighteen months. It would seem as if this tendency on the part of the States to compel the employer to provide indemnities for death and partial and total disability; in other words, to take care of his injured and disabled workmen and to make some provision for the dependants of those who are killed during employment, reflects public opinion. This sudden enactment of such laws is practically a revolutionary feature of our modern political institutions. It is certain that similar laws will be enacted in more of the States, and it seems to me that the employers of all classes of labor will, as a natural consequence of such movements, be awakened to a keener sense of obligation to their employees.

This agitation in insurance matters increases the public interest in the commodity itself. Insurance becomes viewed from all angles and discussed in all its phases. It is, therefore, not surprising that some have advanced the popular and plausible argument that insurance ventures should be handled by the State; in short, that a system of State insurance should be inaugurated. We as a whole are not now prepared for such a system; further education of the people in insurance matters may develop this tendency and do what this State (Washington) where we are assembled has done, namely, recognize the tendency by giving it concrete form.

So much then for the consideration of the general subject of life insurance in its relation to some of our social and economic conditions.

The specific economic transaction before us for consideration is the sale of a commodity now known as group life insurance, as contrasted with individual life insurance. The two parties to this transaction are the employer who desires to buy life insurance for his employees collectively, and the corporation which desires to sell it, or, briefly, the "Employer" and the "Company."

The employer applying for a group policy desires an estimate of the cost. Such an estimate can only be made after certain data have been furnished to the company. The first step is to make a preliminary inspection of the employer's plant and his employees. This inspection calls for information as to the number of

employees, whether male or female, their average ages, general health, location and description of the establishment, its sanitary construction and up-keep, and other information which will accurately describe the environment of the employees while at work.

If the employees appear to respond to a high type of service requirement, and it appears to the company that the entire group can be insured during their period of employment without medical examination, a census slip is prepared and signed by each employee, giving his or her name, place and date of birth, sex, salary, date of employment, and exact duties. These census slips are tabulated according to ages and the cost of insuring the lives at each age for an amount equivalent to one year's salary is calculated, using the yearly renewable monthly term rate as the basis for such calculation. The aggregate group premium is then ascertained for the employer. This premium, though actually arrived at in each case, is naturally considered by the employer in terms of his pay roll. In this connection I find the following statement made by an insurance company writing this class of business: "Exact premium cost for first year in the aggregate, on any group, will be quoted from the home office when proper census is supplied. Without such census a rough estimate of one and one-half ($1\frac{1}{2}$) per cent. of the amount of insurance to be covered will be found to approximate the maximum first annual cost in most groups, reducible thereafter by annual dividends." While the facts thus stated may be true, great care must be exercised in the use of such information, for the premium cost can only be ascertained after proper data have been furnished to the company. Even after a risk is written, the premium cost varies from month to month because of the varying amount of insurance covered by the risk. Group insurance for the present at least should only be written in a specialized department, and by special representatives who by their training and experience thoroughly understand the nature of the problems presented.

If the estimate of the expense is acceptable to the employer each employee signs a special application for insurance in the group, and an Employees' Group Policy is issued. This contract, in consideration of the payment of monthly premiums on the basis of tables of premiums and risks printed in the policy, insures during the term of one year the lives of such employees of the employer as are enumerated in a schedule attached to the policy and for the amount set opposite their respective names.

Briefly, then, these are the mechanical operations necessary in assuming risks under group insurance policies. What principles of life insurance underwriting should be especially considered in this connection?

It appears to me that all so-called individual insurance is in a sense group insurance. The entire structure of life insurance is based upon the law of average. Insurance of an individual can be accomplished only when he is considered as a member of a group, when he is associated with others, upon which the usual law of average operates. Why, then, can we not change our unit of measurement from the individual to the group of individuals and expect in time to apply the law of average to a number of groups in

order to give proper weight to the group as a necessary element in the science of life insurance?

If we admit that the group may be used as an insurance unit, it follows that the group must be examined as such. In other words, the company passes from a medically selected life to a selected and inspected group. If the group is of sufficient size and the occupation and environment favorable, the medical examination is waived. This, it is stated, is a necessary concession because the plan of group insurance must comprehend all members of a given group so as to eliminate any personal selection against the group. Once the group is established on an insurance basis, however, each new employee added to it is subject to a medical examination in order to prevent personal selection against the group with which he is to be associated. I am reminded at this point that the laws of some States require that a medical examination must be made of each applicant for life insurance. The Massachusetts statutes prohibit a company from entering into any contract of insurance upon lives unless such lives have been examined by a registered medical practitioner. If the laws of any State require a medical examination, and possibly the statutes of all States should, let the examinations of the individuals of the group be made. This does not appear to me to be a serious barrier in the way of writing group insurance contracts where such statutes prevail.

The premium rate charged, as already stated, is a yearly renewable term rate payable monthly. It must be borne in mind that this rate is applied according to the age of the employee and the amount of salary received by him. The employer is interested in the aggregate cost and is not concerned with the specific cost of insurance of any individual in the group. The aggregate premium for any group may, or may not, increase each year as the term rate increases. The total number of employees changes rapidly from time to time. When a clerk who has been connected with a bank or an insurance company for many years, for instance, resigns his position, promotions are usually made to fill the vacancies and a younger clerk hired to make up the necessary quota. Hence in place of a life, say at age 60, drawing a salary of \$3,000 a year, a life aged 20 may be added at an annual salary of \$600. The difference of these salaries may be only partly used to increase the salaries of the clerks promoted because of the changes. The effects of changes of this kind in a large establishment can be determined only by experience. It may be safely said that such changes will reduce the average age of the employees in nearly every case. This aggregate cost is determined by two factors, namely, first by the rate per \$1,000 of insurance at the attained ages of the employees, which rate increases more rapidly at the higher age, and, secondly, by the amounts of salaries paid at each age. The point, however, must be borne in mind that numerous calculations involving these two factors enter into the cost, which cannot be reduced at present to any rule of thumb for the use of agents or for any other purpose.

I do not know whether as Insurance Commissioners we should give any consideration to the cost of production. The waste due to lapse which is so marked in the case of individual insurance will probably be less noticeable in the case of group insurance. The

group persists, although changes are made in the employees. It is not unlikely that the groups will increase in size. It is evident, too, that the management expenses incurred in connection with this class of insurance are not to be measured by the corresponding expenses incurred in handling individual insurance. Agents' commissions are materially reduced, the rate allowed probably being from one-third to one-half of the usual rate, a situation which cannot be reasonably objected to by the agent as he may cover several hundred persons at a time, and in no case less than one hundred. The usual method of paying commissions, it seems to me, cannot be followed in the case of group insurance writings. Competition may be keen and a commission of say ten per cent. the first year and nine renewals of two and one-half per cent. each will hardly hold the business should a life insurance company writing also the casualty lines bid for the business on some reasonable basis, say a flat five per cent. commission each year. This condition is not unlikely to occur. The group is the risk not the individuals, and the risk will be considered by the insurer very much the same as the liability underwriter considers the factory which applies for a coverage. It seems to me, therefore, that the risk covered by a group life insurance policy bears a close resemblance to a casualty risk.

Once the risk is assumed a single policy is written and all premiums thereon are paid by or through the employer. This practically eliminates the cost of individual policies, cost of collection, postage, premium notices, and numerous charges for clerical work, while medical and inspection costs are materially reduced. The accounting system most easily adapted to this class of insurance is one used by the large fraternal societies, namely, a system which automatically takes care of the additional and terminated risks. The books of the company should show, to use the terms of liability insurance accounting, the additional premiums and the rebates of premiums which are subject to further adjustments. It seems plain, therefore, that through the combination of risks the expense of writing and caring for the group is but a fraction of the expense which would be incurred in caring for the insurance of the members of the group individually.

Will the death rate among the lives insured under group policies be higher than the rate experienced among individually medically selected lives? I do not know. One of the companies writing group insurance upon the nonparticipating basis has incorporated in its policy a saving clause providing for a revision of the rates at the end of five years, based upon actual experience. I presume the death rate may be somewhat above the normal rate, but the group if properly inspected is in a sense a selected risk, and probably will not deteriorate materially owing to the fact that all entrants are subject to medical examination. It seems reasonable to suppose, however, that any increase in mortality will be offset by the saving in expenses. It is important to note in this connection that in any final analysis of this question no profit from excess interest earnings should be taken into consideration unless the basic rate is other than the yearly renewable term rate. While this profit is probably one of the most important factors in determining returns upon life insurance policies generally, it is practically negligible in

the present case, as the reserve runs off each year and does not accumulate as in the case of ordinary life insurance.

I have thus far treated the cost to the employer of insurance in groups as equivalent to the gross charge made by the company, making no allowance for dividends. I cannot undertake to discuss this phase of the question now because of the absence of experience. Personally, I do not believe that group policies should be issued upon any participating plan of insurance until more statistics concerning insurance groups are available. I have recently been interested in a request for an employees' group policy. This application covers between 3,000 and 4,000 employees. The employer has asked for the cost upon the basis of the twenty-year endowment nonparticipating rate. The actuary of the company to whom this proposition was made has been making calculations in connection with the risk. He feels confident in this particular case that any excess mortality will be more than provided for by the saving in expense.

It has been suggested by some, I believe, that the anti-discrimination laws of some of the States would be violated by a company writing group insurance policies. In the brief examination which I have been able to make of the subject I do not think that very serious objections should be raised along this line. The Connecticut statute prohibits any life insurance company doing business in the State from making "any distinction or discrimination in favor of individuals between insureds of the same class and expectation of life in the amount or payment of premiums or rates charged for policies of life or endowment insurance, or in the dividends or other benefits payable thereon, or in any other of the terms and conditions of the contracts it makes." The basic rates used in arriving at the premiums for group insurance are rates especially prepared for this purpose and should not be offered for use in connection with individual policies. These rates being designated for this particular class of business are applied, it seems to me, without distinction in favor of individuals between the insureds of the class which is covered by the group policy. I can readily understand that the words of the statute, "expectation of life," may be hard to interpret in this connection. The published tables of mortality to which we often refer gives the expectation of life for each age. "The term 'expectation of life' is apt to mislead unthinking persons, who not unfrequently take it for granted that a man's expectation of life represents the number of years he may 'reasonably expect' still to live. But when we analyze the phrase 'reasonably expect' we see that it is wanting in precision. If it has any meaning, it implies that the probability is far greater of a man's living the term of the expectation than of his living any other term. This, however, is not so. Very few of the lives, if any, will fail when they have exactly completed the expectation of life. Many will fall far short of it; and many will long survive it. In fact, to form the expectation of life, we take the excess from those who live long and distribute it among those who die early, so as to place all on an equality; and the expectation of life has no relation whatever to the most probable lifetime of any given indi-

vidual."* This term is not used in group insurance in the individual sense, but collectively.

Our chief troubles which would probably arise in trying to show discrimination in any particular case have been aptly expressed by the actuary of one of our State Insurance Departments. He said: "It would be practically impossible to prove discrimination in a court of law. The contention of both sides would have to be presented to the court through experts, and I believe there would be as many opinions as there might be experts. Actuaries have not succeeded in constructing mortality tables sufficiently extensive to prove just where discrimination begins." If after all is said and done, we are inclined to treat group insurance along the practical conservative lines, why should we worry too much over the expectation of life or other technical term or aspect of the question? We admit that two different risks which appear to the untrained eye as identical are carried at different rates under liability insurance policies. Two employers may apply for group insurance, presenting exactly the same data as to ages, salaries and even present medical conditions concerning their respective employees. An inspection of the plants may reveal conditions of sanitation and methods of supervision while at work that might lead a careful underwriter to reject one of the risks. Can we then apply the anti-discrimination law literally as it appears in many of the statute books to the problem of group insurance? It would seem to me not. But if I am wrong, no present temporary legislation should be allowed to defeat any honest and general demand for insurance of this kind, but new legislation should be framed to meet the new conditions.

Mr. H. Pierson Hammond, actuary of the Connecticut Insurance Department, recently inspected an establishment with a view to practically considering a concrete example of group insurance. The employees of this establishment I have used as a unit for illustration. The rates upon which the cost for group insurance is predicated are those which have already been used similarly in practice. The amount of insurance in each case is one year's salary. The number of employees considered are 784, of which 344 are male and 440 female. The total annual pay roll is \$811,000. The average ages of these groups are about 38 and 28, respectively. The health of the employees, except in a few cases, appeared to be exceptionally good, no unusual amount of sickness having been reported among them. The offices are light and well ventilated, the building comparatively new, and the environment generally excellent. In the tabulated census returns, I was struck with the distribution of the ages of the male employees as contrasted with the female employees. This was explained by the fact that the employer had added very few male clerks recently, but had taken in more than the usual number of female clerks. This tendency was particularly emphasized by the fact that a number of young ladies had been added temporarily to the force to handle special work and some of these had been retained permanently by the employer. I have, therefore, presented the following results so as to show the information which was ascertained, in three groups, namely, male employees, female employees, and the total group:

*Institute of Actuaries' Textbook, Part II, page 29.

	Male Employees.	Female Employees.	Total Group.
Number of employees.....	344	440	784
Average age, years.....	38.4	28.5	32.8
Yearly salaries	\$560,800.00	\$250,920.00	\$811,720.00
Aggregate monthly cost...	1,018.89	278.06	1,296.92
Aggregate annual cost.....	12,226.68	3,336.72	15,563.04
Annual cost as a percentage of the pay roll.....	2.2%	1.3%	1.9%

The above figures are based upon the facts as presented by the employer. A few of the male clerks which have been employed some time are above the average age of the group and are drawing salaries in excess of \$2,500 per annum. This of course tends to raise the cost of the particular group which was selected.

The cost in the above example is based upon a participating rate. To show the results upon the nonparticipating basis, Mr. Hammond has also calculated the aggregate cost based upon the American three per cent. yearly renewable term rates loaded twelve and one-half per cent. for commissions and expenses as follows:

Male employees, aggregate annual cost \$9,344.06, namely 1.7 per cent. of the pay roll.

Female employees, aggregate annual cost \$2,555.09, namely 1.0 per cent. of the pay roll.

Total groups, aggregate annual cost \$11,899.15, namely 1.5 per cent. of the pay roll.

In conclusion there remains little for me to say. You will notice that I have not referred to the recipients of the benefits, the manner of paying the premiums or the question of whether there be a demand for this kind of insurance. As for the beneficiaries they are enumerated in the applications, which are made a part of the policy contract, and may be the wife, children, sister, etc., as in an ordinary policy. As to the cost, either this is paid by the employer or by him and the employees.

As for the demand, there is perhaps nothing to show that it is spontaneous or born of necessity rather than nurtured by the insurance companies. It does exist, however, and by whatever cause produced it should be respectfully received and considered. If it be born of necessity or springs up out of the existing conditions it should be met. If it is forced rather than natural, I doubt not that it will soon assume a natural aspect; surely so if it possesses merit, as I believe it does. We may safely assume therefore that it is here to stay. Faint rumblings of five years ago have become persistent and within the last twelve months have assumed large proportions. Requests are not made to one company or in one locality, in particular, but many companies in several localities are receiving them in earnest.

Life insurance in groups is a progressive step, in consonance with acts regulating workmen's compensation in case of accident, sickness and death; old age pensions and the like all striving for the better protection of those who are employed in mechanical, business or other pursuits. Any plan for its development cannot be perfect at the start. Many obstructions, real or imaginary, may block its progress, but they are only of a temporary nature and it seems to me that as public servants we should welcome such a

measure and join with both employer and employed, with both the insurer and the insured in all reasonable efforts for its promotion.

Now, for a word at the end. I would not betray my sense of fairness and honesty by failing to place the credit for this paper where it belongs. As in many other things, so in this, I am indebted to Mr. Hammond for much valuable assistance. Had I not availed myself of it in this case, I could have made but a feeble response to the call of this convention for an address at this time. While I am willing to adopt all the ideas advanced therein as my own, and assume responsibility therefor, and ask him neither to adopt the one nor assume the other,—to him must go my thanks and yours, not only for the material gathered, but also for the language in which it is conveyed. The work has to a very large degree been his,—and to a very small degree mine.

CONVENTION RECORD.

The following is a Record of Officers and List of Places at which the National Convention of Insurance Commissioners has been held since its organization:

Session.	Place of Meeting.	President.	Vice President.	Secretary.
1, 1871	New York, N. Y.	Geo. W. Miller, N. Y.	L. Breeze, Wis.	H. S. Olcott, N. Y.
2, 1871	New York, N. Y.	Geo. W. Miller, N. Y.	L. Breeze, Wis.	H. S. Olcott, N. Y.
3, 1872	New York, N. Y.	Geo. W. Miller, N. Y.	L. Breeze, Wis.	H. S. Olcott, N. Y.
4, 1873	Boston, Mass.	L. Breeze, Wis.	J. W. Foard, Cal.	O. Pillsbury, N. H.
5, 1874	Detroit, Mich.	O. W. Chapman, N. Y.	S. H. Rowe, Mich.	O. Pillsbury, N. H.
6, 1875	New York, N. Y.	O. W. Chapman, N. Y.	S. H. Rowe, Mich.	O. Pillsbury, N. H.
7, 1876	Harrisburg, Penn.	S. H. Rowe, Mich.	O. Pillsbury, N. H.	S. H. Rhodes, Mass.
8, 1877	St. Paul, Minn.	S. H. Rowe, Mich.	O. Pillsbury, N. H.	S. H. Rhodes, Mass.
9, 1878	Providence, R. I.	O. Pillsbury, N. H.	A. R. McGill, Minn.	O. T. Welch, Kan.
10, 1879	St. Louis, Mo.	O. Pillsbury, N. H.	A. R. McGill, Minn.	O. T. Welch, Kan.
11, 1880	Chicago, Ill.	A. R. McGill, Minn.	J. L. Clarke, Mass.	O. T. Welch, Kan.
12, 1881	Detroit, Mich.	J. L. Clarke, Mass.	P. L. Spooner, Wis.	O. T. Welch, Kan.
13, 1882	Niagara Falls, N. Y.	J. L. Clarke, Mass.	J. A. McCall, Jr., N. Y.	O. T. Welch, Kan.
14, 1883	Columbus, Ohio	O. Pillsbury, N. H.	C. P. Swigert, Ill.	J. W. Brooks, Conn.
15, 1884	Chicago, Ill.	J. A. McCall, Jr., N. Y.	C. H. Moore, Ohio.	C. P. Swigert, Ill.
16, 1885	Chicago, Ill.	J. A. McCall, Jr., N. Y.	E. J. Pringle, Mich.	C. P. Swigert, Ill.
17, 1886	St. Paul, Minn.	C. P. Swigert, Ill.	H. J. Reinmund, Ohio.	C. Shandrew, Minn.
18, 1887	Niagara Falls, N. Y.	J. K. Tarbox, Mass. I.	S. R. Cross, R. I.	R. B. Brinkerhoff, Ohio
19, 1888	Madison, Wis.	P. Cheek, Jr., Wis.	O. R. Fyler, Conn.	J. A. McEwen, Ohio
20, 1889	Denver, Col.	O. R. Fyler, Conn.	S. E. Kemp, Ohio.	Geo. B. Luper, Pa.
21, 1890	Cleveland, Ohio	Geo. S. Merrill, Mass.	S. E. Kemp, Ohio.	Geo. B. Luper, Pa.
22, 1891	St. Louis, Mo.	Chas. P. Ellerbe, Mo.	Geo. B. Luper, Pa.	Chas. B. Allen, Neb. 2
23, 1892	St. Paul, Minn.	Geo. B. Luper, Pa.	Wm. H. Kinder, Ohio.	J. J. Brinkerhoff, Ill.
24, 1893	Chicago, Ill.	Jno. C. Linehan, N. H.	C. N. Smith, Minn.	J. J. Brinkerhoff, Ill.

Convention Record—Continued.

Session.	Place of Meeting.	President.	Vice President.	Secretary.
25, 1894	Alexandria Bay, N. Y.	Jas. F. Pierce, N. Y.	B. K. Durfee, Ill.	J. J. Brinkerhoff, Ill.
26, 1895	Mackinac Isl., Mich.	B. K. Durfee, Ill.	W. M. Hahn, Ohio	Fred L. Cutting, Mass.
27, 1896	Philadelphia, Pa.	W. M. Hahn, Ohio 3.	Jas. R. Waddill, Mo.	Fred L. Cutting, Mass.
28, 1897	Old Pt. Comfort, Va.	Jas. R. Waddill, Mo. 4.	Steph. W. Carr, Maine.	Fred L. Cutting, Mass. 5
29, 1898	Milwaukee, Wis.	Steph. W. Carr, Maine.	W. A. Fricke, Wis.	Fred L. Cutting, Mass. 6
30, 1899	Detroit, Mich.	Elmer H. Dearth, Minn. 7	Milo D. Campbell, Mich.	J. J. Brinkerhoff, Ill.
31, 1900	Hartford, Conn.	Ed T. Orear, Mo.	W. S. Matthews, Ohio.	J. J. Brinkerhoff, Ill.
32, 1901	Buffalo, N. Y.	J. A. O'Shaughnessy, Minn. 8	E. L. Scofield, Conn.	J. J. Brinkerhoff, Ill.
33, 1902	Columbus, Ohio	W. H. Hart, Ind.	F. A. Howland, Vt.	J. J. Brinkerhoff, Ill.
34, 1903	Baltimore, Md.	A. I. Vorys, Ohio.	John L. Bacon, Vt.	J. J. Brinkerhoff, Ill.
35, 1904	Indianapolis, Ind.	John L. Bacon, Vt.	James V. Barry, Mich.	J. J. Brinkerhoff, Ill.
36, 1905	Bretton Woods, N. H.	Fred'k L. Cutting, Mass.	James V. Barry, Mich.	J. J. Brinkerhoff, Ill.
37, 1906	Washington, D. C.	James V. Barry, Mich.	Theron Upson, Conn.	J. J. Brinkerhoff, Ill.
38, 1907	Richmond, Va.	Geo. H. Adams, N. H.	Reau E. Folk, Tenn.	J. J. Brinkerhoff, Ill.
39, 1908	Detroit, Mich.	Reau E. Folk, Tenn.	B. F. Carroll, Iowa.	J. J. Brinkerhoff, Ill.
40, 1909	Colorado Spgs, Col.	B. F. Crouse, Md.	F. W. Potter, Ill.	J. A. Hartigan, Minn.
41, 1910	Mobile, Ala.	John A. Hartigan, Minn.	Eugene J. McGivney, La.	H. R. Cunningham, Mont.
42, 1911	Milwaukee, Wis.	Joseph Button, Va.	T. H. Macdonald, Conn. 9	H. R. Cunningham, Mont.
43, 1912	Spokane, Wash.	F. W. Potter, Ill.	Frank H. Hardison, Mass.	F. H. McMaster, S. C. 10

1. Mr. Tarbox died before the Convention assembled. The Hon. Oliver Pillsbury, of New Hampshire, was chosen to preside over the Convention.

2. Elected, but resigned before acting in Convention of 1891, and J. J. Brinkerhoff, of Illinois, was chosen in his stead.

3. Out of office at date of Convention, Jas. R. Waddill, of Missouri, elected to preside.

4. Out of office at date of Convention, Stephen W. Carr, of Maine, elected to preside.

5. Not in attendance, J. J. Brinkerhoff chosen as Secretary pro tem.

6. Elected, but declined, J. J. Brinkerhoff chosen in his stead.

7. Out of office at date of Convention, Ed T. Orear, of Missouri, elected to preside.

8. Out of office at date of Convention, W. H. Hart, of Indiana, elected to preside.

9. Elected at Mobile, but out of office at date of Milwaukee Convention. Vacancy not filled until general election.

10. Elected in March, 1912, to succeed Mr. Cunningham, who had resigned.

The Several States Were Represented at the Conventions Held in the Years Following Their Names.

Alabama.—October 1871, 1898, 99, 1901, 2, 3, 4, 8, 9, 10, 11, 12—total, 12.

Arizona.—None.

Arkansas.—October 1871, 73, 74, 1896, 1902, 3, 9, 11—total, 8.

California.—October 1871, 72, 1905, 9, 10, 12—total, 6.

Colorado.—1883, 5, 6, 7, 8, 9, 1890, 1, 2, 5, 6, 7, 1903, 4, 5, 6, 7, 8, 9, 12—total, 20.

Connecticut.—May 1871, 4, 6, 7, 8, 1880, 1, 2, 4, 5, 6, 7, 8, 9, 1890, 2, 3, 4, 5, 6, 7, 8, 9, 1900, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12—total, 35.

Dakota.—1889.

Delaware.—1889, 1901, 2, 3, 5, 6, 7—total, 7.

District of Columbia.—October 1871, 1889, 1902, 3, 4, 5, 6, 7, 8, 9, 11—total, 10.

Florida.—1909, 10—total, 2.

Georgia.—1891, 7, 1906—total, 3.

Idaho.—1909, 12—total, 2.

Illinois.—May and October 1871, 7, 1880, 1, 2, 4, 5, 6, 7, 8, 9, 1891, 2, 3, 4, 5, 6, 7, 8, 9, 1900, 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12—total, 34.

Indiana.—May and October 1871, 2, 9, 1880, 1893, 6, 7, 8, 9, 1900, 1, 2, 3, 4, 7, 8—total, 17.

Iowa.—October 1871, 1881, 3, 8, 1891, 2, 9, 1904, 5, 6, 7, 9, 10, 11, 12—total, 16.

Kansas.—October 1871, 4, 5, 6, 7, 8, 9, 1880, 1, 2, 3, 4, 5, 9, 1890, 1, 2, 3, 4, 5, 1905, 6, 11, 12—total, 24.

Kentucky.—May and October 1871, 2, 3, 4, 5, 7, 1881, 1890, 4, 5, 6, 7, 8, 9, 1900, 2, 3, 4, 5, 6, 7, 8, 9, 1911, 12—total, 26.

Louisiana.—October 1871, 1891, 1903, 5, 8, 9, 10, 12—total, 8.

Maine.—May and October 1871, 2, 3, 4, 1881, 2, 3, 4, 7, 8, 9, 1891, 2, 3, 4, 5, 6, 7, 8, 9, 1900, 1, 2, 3, 5, 6, 8, 9, 10, 11—total, 31.

Maryland.—May 1871, 1881, 7, 1891, 2, 3, 6, 7, 8, 9, 1900, 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11—total, 22.

Massachusetts.—October 1871, 2, 3, 4, 5, 6, 7, 8, 9, 1880, 1, 2, 3, 4, 5, 6, 7, 8, 9, 1890, 1, 2, 3, 4, 5, 6, 7, 1900, 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12—total, 40.

Michigan.—May and October 1871, 3, 4, 5, 6, 7, 1880, 1, 2, 3, 4, 1893, 4, 5, 6, 7, 8, 9, 1900, 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12—total, 40.

Minnesota.—May and October 1871, 1877, 8, 9, 1880, 2, 3, 4, 5, 6, 7, 8, 9, 1891, 2, 3, 7, 8, 9, 1900, 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12—total, 33.

Mississippi.—October 1871, 1904, 5, 6, 7, 9, 10, 11—total, 8.

- Missouri.—May and October 1871, 1877, 8, 1881, 3, 5, 6, 7, 8, 9, 1890, 1, 2, 3, 4, 5, 6, 7, 8, 9, 1900, 1, 2, 3, 5, 8, 9, 10, 12—total, 32.
- Montana.—1892, 3, 8, 1903, 5, 6, 9, 10, 11, 12—total, 10.
- Nebraska.—May and October 1871, 1888, 1890, 1, 2, 8, 1904, 5, 6, 7, 9, 11, 12—total, 14.
- Nevada.—October 1871, 1903—total, 2.
- New Hampshire.—May and October 1871, 2, 3, 4, 5, 6, 7, 8, 1880, 1, 2, 3, 4, 6, 7, 1891, 2, 3, 4, 5, 6, 1900, 1, 2, 3, 4, 5, 6, 7, 10—total, 31.
- New Jersey.—May and October 1871, 1881, 2, 3, 4, 1892, 4, 5, 6, 7, 8, 9, 1900, 1, 3, 6, 7, 8—total, 19.
- New Mexico.—1888, 1909, 10, 11—total, 4.
- New York.—May and October 1871, 2, 3, 4, 5, 7, 8, 9, 1881, 2, 3, 4, 5, 7, 9, 1891, 2, 3, 4, 5, 6, 7, 8, 9, 1900, 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12—total, 38.
- North Carolina.—October 1871, 2, 1903, 4, 7, 8, 9, 10, 11, 12—total, 10.
- North Dakota.—1891, 1905, 1911—total, 3.
- Ohio.—October 1871, 1879, 1880, 1882, 3, 4, 5, 6, 7, 8, 9, 1890, 1, 2, 3, 4, 5, 6, 7, 8, 9, 1900, 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12—total, 34.
- Oklahoma.—1901, 8, 9, 10, 11, 12—total, 6.
- Oregon.—1909, 11, 12—total, 3.
- Pennsylvania.—May and October 1871, 2, 3, 5, 6, 1880, 7, 8, 9, 1890, 1, 2, 3, 4, 5, 6, 7, 8, 9, 1900, 1, 2, 3, 4, 5, 6, 7, 9, 10, 11, 12—total, 32.
- Rhode Island.—May and October 1871, 3, 8, 1882, 6, 7, 9, 1890, 1, 3, 5, 6, 7, 8, 9, 1900, 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11—total, 28.
- South Carolina.—1872, 1908, 10, 11, 12—total, 5.
- South Dakota.—1893, 6, 1901, 7, 8, 9, 10, 11—total, 8.
- Tennessee.—May and October 1871, 1894, 5, 6, 7, 9, 1901, 2, 3, 4, 5, 6, 7, 8, 9, 10—total, 17.
- Texas.—1879, 1891, 4, 1903, 5, 6, 8, 9, 10, 11, 12—total, 11.
- Utah.—1909, 11, 12—total, 3.
- Vermont.—1894, 5, 6, 7, 9, 1900, 1, 2, 3, 5, 11, 12—total, 12.
- Virginia.—October 1871, 1906, 7, 8, 9, 10, 11—total, 7.
- Washington.—1899, 1900, 3, 5, 10, 11, 12—total, 7.
- West Virginia.—1891, 1903, 5, 6, 7, 8, 9, 10, 11, 12—total, 10.
- Wisconsin.—May and October 1871, 3, 4, 6, 7, 1880, 7, 8, 9, 1890, 1, 2, 3, 5, 6, 7, 8, 1900, 1, 2, 3, 5, 6, 7, 8, 9, 10, 11, 12—total, 30.
- Wyoming.—1901, 5, 9, 11—total, 4.

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